

# Nation's Business

A USEFUL LOOK AHEAD

OCTOBER 1958

SPECIAL REPORT:

WHY MANAGERS

CHANGE

JOBS

& WHEN

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Union violence can be curbed PAGE 31

Learn to work with your boss PAGE 34

Backdoor spending dodges Congress' control PAGE 48

Get full use of ideas PAGE 86

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# Nation's Business

October 1958 Vol. 46 No. 10

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Washington, D.C.

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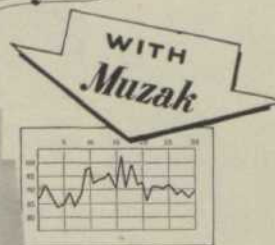


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PERSONNEL EXPERTS have long known that custom-created work music by MUZAK can improve employee efficiency, work attitudes, productivity. In some work situations, however, the amount of improvement is difficult to measure with scientific accuracy.

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### The Prentice-Hall Story

The workers studied were women employees in a mailing room of Prentice-Hall Inc., a large publishing house in the New York City area. The women sit at tables, nesting and inserting by hand, mailings which cannot be machine-inserted. The job involves basic clerical work.

Records of the number of pieces inserted by 24 test workers were made during the 24 weeks before and the 32 weeks after MUZAK was introduced. As outlined in the management engineers' full report, every precaution was taken to eliminate from the survey any factors which might distort the data. Yet after the introduction of MUZAK, production of these 24 workers rose an average of 8.03%. And not through any objectionable pressure — but with the addition of an environmental change 98.1% said they liked.

### Like a \$100,000 Increase in Sales

Prentice-Hall's own "Personnel Policies and Practices Service," a widely read bi-weekly report for personnel executives (commenting on the study) estimated that the net savings on these

24 workers alone, after the modest cost of the MUZAK service was deducted, came to \$86.20 per week — or \$4,482.40 a year!

How much would an 8% increase in worker productivity mean to your company? \$5,000? \$10,000? Even more? In a recent article in *Fortune*, it was estimated that "a saving of \$10,000 a year in office costs might be the equivalent of the net profit earned on a sales increase of \$200,000."

### The Secrets of MUZAK's Results

The monotonous nature of many jobs in offices and plants understandably causes boredom. And boredom leads to nervous tension, fatigue, poor concentration, costly mistakes, time-killing, and clock-watching.

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Prentice-Hall is one of three MUZAK subscribers recently participating in a "before-and-after" study by Stevenson, Jordan & Harrison, Inc. There is not room here to report in detail their findings, facts sure to interest anyone concerned with more profitable management methods. The results of these three studies, together with another interesting MUZAK case history, have been published in a new booklet, "How MUZAK Affects Profits." A copy is yours for the asking. Simply mail the coupon to the right.

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This treasure of Americana was started, with typical foresight, by Henry Ford. He wanted to preserve a glimpse of 'American life as lived.' Logically enough, his priceless legacy is protected by 'All-risks' insurance. Anything less would be woefully inadequate. By the same token, INA is the insurer. For we, too, have been part of the American panorama since 1792, insuring homes and businesses.

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# management's WASHINGTON LETTER

## ►UPSWING'S SPEED surprises economists.

Outlook specialist predicts:

"Full recovery probably will come by early months of 1959."

That's when most indexes will surpass former peaks.

## ►ONE ECONOMIC CLOUD that'll be slow blowing away: Unemployment.

Here's why:

Economic growth in months ahead will be enough to absorb new additions to work force, not enough to reduce unemployment total very fast.

Outlook is this:

When nation's gross output reaches \$450 billion annual rate (early months of '59) jobless total will decline.

## ►BUSINESS PLANS are changing.

Spending rise for plant and equipment is expected before Christmas.

That's informed guess by Washington analyst who talks with businessmen in control of expansion plans.

His view:

"Businessmen spend for growth when there's good prospect for profits ahead."

Outlook, he thinks, soon will bring growth plans off the shelves.

Good guess is that annual rate of spending will go up about \$1 billion in final quarter (to about \$32 billion).

After that, as 1959 economic horizon clears, rate will pick up quickly.

## ►LOOK FOR INVENTORY buildup to begin soon.

Liquidation reached \$8 to \$8.5 billion annual rate during second quarter. In summer it was \$5 to \$6 billion.

Now it's nearing zero.

Year could end with businessmen adding to inventory at \$1 to \$2 billion annual rate.

## ►SPENDING FOR GOODS and services by states and local governments will climb to \$42 billion by year's end.

That's double 1950 spending.

Figure was \$36 billion last year, up from \$33 billion year before.

Study shows where state money goes:

Out of each \$100--

\$31 goes for education.

\$28 goes for highways.

\$13 goes for public welfare.

\$9 goes for health and hospitals.

Miscellaneous spending accounts for all the rest.

## ►PLANNING WEATHERVANE is swinging into prevailing economic wind.

Subjects under discussion at management conferences are being reexamined in light of improving business conditions.

Cost cutting is example.

During worst days of recent recession, cost cutting was popular subject wherever businessmen got together.

Now, with business looking up, a new twist is being added:

What can managers do to insure that fat cut from company operation won't grow back during good times?

Consultant warns:

Management preoccupied with recovery and expansion can, if it lowers its guard, unwittingly invite return of uneconomic practices.

To combat this, he advises:

Review all costs regularly, cultivate cost consciousness as company attitude.

## ►PROFIT HORIZON will brighten soon.

That's expected by Washington economists who watch developments.

Here's a look ahead at trends that will unfold in coming months:

New estimates show profits will total about \$34 billion for 1958.

(Last year's total: \$43.4 billion.)

Annual rate will climb during final quarter.

New year will start with profits trending upward.

Note: Not all companies, industries will share profit trend alike.

## ►CONGRESSIONAL DISTRICTS will change in 1961, affecting 1962 elections.

Census Bureau projection of population shifts shows what might happen.

Nine states will gain congressional seats, 14 will lose.

These states will gain:

California 7, Florida 3, Michigan 2, Texas 2, one each for Alaska, Arizona, Indiana, Maryland, Ohio, Oregon.

These states will lose seats:

New York and Pennsylvania 3 each, Arkansas and Massachusetts 2 each, one each for Illinois, Minnesota, Iowa,



Kansas, West Virginia, North Carolina, Georgia, Alabama, Mississippi.

►VOTES CAST NEXT MONTH will influence business climate for years to come.

At the national level, storm warnings are up.

So-called liberals figure to increase their strength in the next Congress.

Unions expect to gain strength for friends-of-labor bloc by concentrating election effort in 139 marginal congressional districts.

►STRONGER ANTIBUSINESS forces in next Congress can be expected to press for action on issues that will include:

More public housing.

Start on socialized medicine through hospital and surgical benefits.

Federal school intervention, including construction programs.

Prenotification of business mergers.

Financing TVA expansion outside government control.

Federal involvement in local areas with economic problems.

More business regulation.

Wage fixing.

You can expect greater pressure against:

Action on tax reduction.

Action to restrict union power.

►CAN BUSINESSMEN do anything?

Yes.

National Chamber political participation program suggests:

Get organized within your business to turn out vote.

Provide opportunities for employees and business colleagues to learn about candidates and issues.

Contribute financially to party of your choice.

Encourage employees to do the same.

Item: Checklist on what you can do is available from National Chamber.

Address inquiries: Attention Business Relations Department.

►AFL-CIO MILLION DOLLAR public relations program is beginning to roll.

Purpose: Counteract adverse public reaction to the McClellan Committee disclosures of labor union corruption.

A speakers' bureau has been set up to

try to get more speaking dates for union leaders. Major targets are discussion forums and college campuses.

No fees will be accepted and unions will pay speakers' expenses.

TV stations will be asked--as a public service--to show a weekly film AFL-CIO is producing and will have ready next month.

AFL-CIO is also financing a movie to help boost U. S. Savings Bond sales. It will carry an introduction by AFL-CIO President George Meany.

►A STRONGER LABOR REFORM bill will be pushed in Congress next year.

Senator McClellan wants a bill strong enough to drive out of organized labor the criminal elements his rackets committee is exposing (see page 31).

Legislation better than weak Kennedy-Ives bill--killed by politics last summer--will be the goal.

►GET READY for winter.

Snow--and influenza--are coming soon.

There's plenty of flu vaccine for all, says Surgeon General Leroy E. Burney.

And there's plenty of flu virus left around to knock people out of work.

Study by U. S. Public Health Service shows sickness will cause employees to lose an average of eight work days each during the year (all reasons).

►WATCH FOR NEWS telling how Soviet production is gaining on U. S.

This will have important implications for U. S. world relations.

Here's the story in advance:

Soviet gross output last year equaled about 39 per cent of ours.

This year it'll reach about 42 per cent of our total output.

Fact will be exploited by communists as evidence Soviet system is better.

Left-wing leaders in underdeveloped countries will gobble up this propaganda, create new trouble for U. S. abroad.

U. S. will be faced with problem of explaining that gains are due to business decline here, not to big new Soviet expansion.

Steel illustrates what's happening.

Soviet steel produced last year was about 50 per cent of our production.

This year it may equal 70 per cent.



# *management's* WASHINGTON LETTER

But next year it'll again average only 50 per cent.

►RED CHINA IS ADOPTING Russian methods of boosting production.

In Russia this term is used:

"Dognat' i peregnat'".

It's a slogan urging Soviet workers to "overtake and surpass" U. S. output.

Red China's new goal:

Overtake and surpass Great Britain.

Communist leaders want production to equal Britain's output by 1962.

Outlook for success?

Not a chance.

But keep this in mind:

600 million Chinese are racing to produce as much as 60 million Britains.

So you can expect significant gains.

►WHILE FORMOSA TENSION grabs headlines, communists are aiming big economic guns in other directions.

Economic battle plan, according to men who watch these moves and evaluate them, appears well coordinated.

Watch these developments--widely different but aimed at one target:

1. Russia is dumping tin on London market, already has unloaded more than 17,000 tons.

Result: World surplus idles a third of Malaya's tin mines.

By underselling, absorbing loss, Russians subvert market stability.

2. Red China's dumping consumer goods --also in Malaya.

►WAGE RATES for skilled workers are outrunning consumer prices by about 50 per cent.

New study--to be ready this month--will show: Straight-time hourly earnings of skilled workers in 21 metropolitan areas rose 10.2 per cent in two years.

During same period consumer price index rose 6.7 per cent.

Difference--for worker--is higher living standard.

Study covers 25 types of skilled workmen.

It also will show wage-rate jump of 118.6 per cent since war.

►WOMEN WILL FILL half the new jobs created in the next 10 years.

That's forecast of labor force expert who says women over 45 will land many of the new jobs.

Reason: Trend of older women entering work force is steadily accelerating, will continue to increase.

Two out of five employed women are 45 or older.

Average American woman now works 18 years. It was six at turn of century.

In contrast, proportion of older men in professional and service work is dropping.

In immediate future, men and women over 45 will be nation's primary source of new workers.

Older persons will fill 5 million new job openings in the 1955-65 decade.

Those in 14-24 age bracket will gain 4.5 million positions, including many part-time jobs.

Only 500,000 new jobs will be taken by those aged 25-44.

►STRATEGIC STOCKPILE is filling up.

Of 74 items, government has adequate supply of 63.

Current value: \$5.7 billion.

About \$400 million will be spent in current year.

Outlay in fiscal 1960 will be scaled downward.

►CONGRESSIONAL FOES of runaway spending are planning new battle in next session.

They'll tackle backdoor spending tactic that's spreading.

Bothersome aspect is that federal agencies can use this device for getting around congressional approval for funds.

For details, agencies involved, background of coming battle in Congress, see page 48.

►POPULATION WILL REACH 175 million this month. . . . Half of all retired couples getting social security benefits receive \$183 a month or more. . . . More than 50 million passengers will travel by scheduled airlines this year. Take-offs, landings will exceed 25 million. . . . Proportion of families owning their homes will increase from 60 per cent to 65 per cent in coming 10 years. . . . Aircraft and missile industry is spending \$135,000 each working day on formal training to raise manpower skills.



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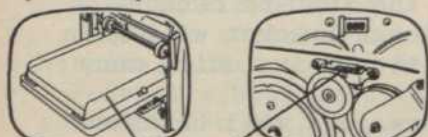
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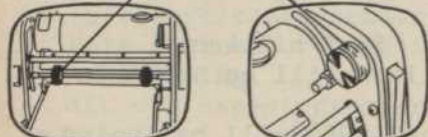
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# Letters from businessmen

## Labor law issue

We have been in business here for a long time and have been subscribing to NATION'S BUSINESS for a long time, but with the line of thought the Chamber of Commerce of the United States showed in fighting the labor bill that was before the House of Representatives, and which passed the Senate, I can't go along with them any more. Neither can our organization, the L.J. Herring Implement Co., and a lot of others I hear express themselves in business in this area. If your attitude toward the labor racket is as it was publicized in the closing days of the Congress, I don't want any part of your magazine nor the Chamber of Commerce of the United States.

L. J. HERRING  
L. J. Herring Implement  
Company  
Wilson, N.C.

►When the Senate passed the Kennedy-Ives bill, the National Chamber urged that it be referred immediately to the House Education and Labor Committee so that objection could be voiced to the bill's bad features. But the Speaker of the House held it on his desk for 41 days. At the last minute an attempt was made to force the bill's passage without committee hearings. The National Chamber opposed that procedure. Adoption of such a weak bill would have diminished the possibility of a more equitable labor law in the next session of Congress.

## Sales study

In your August issue, page 7, with reference to "sales and profit study," we assume this is a comparison between the year 1957 and the year 1956.

We would appreciate your confirmation or clarification.

ROBERT ROBERTS  
The Roberts Toledo  
Rubber Company,  
Toledo, O.

►The study compares the first quarter of 1958 with the same period in 1957. It also shows data for all of '57, '56.

## At government's mercy

An article in the August issue of NATION'S BUSINESS appears to approve of the "major break away from parity for farm commodities" and for a price support related "reasonably to current market conditions" as the new trend in legislation.

But I saw no comment on the

cause of the farm surpluses that depress farm prices out of reasonable relation to costs for farmers. That is the government reclamation activities—millions of dollars appropriated year after year to bring more acreage into production and apparently no difficulty in finding suckers to try to make a living from farming them.

Farmers who have sunk thousands of dollars or contracted debt to finance farm equipment find themselves at the mercy of irresponsible government competition.

E. J. BROWN  
Beaverton, Ore.

## Tells his side

The interview with Lyndall F. Urwick on "How to Improve Executive Training," in the July issue was quite interesting to the undersigned because it is quite clear that I am the "bright, young Ph.D." to whom he was referring. I am, of course, most flattered to be described as both bright and young by as eminent an authority as Mr. Urwick. He has not always been so kind.

However, I must take issue with Mr. Urwick in his analysis of the American philosophy of government, on the analogy he draws from it, and in the way in which he relates this analogy to the art of management. Since analogies are in order, let me use this method briefly to describe what I mean by "substantive decentralization in the large organization."

I feel that federalism is as fundamental a principle of Jeffersonian democracy as is the institution of separation of powers and that both are much more basic to it than is Mr. Urwick's concept that policy is best performed by a group and operations are best supervised by an individual. Federalism means that some policies are of total (national) concern and that others are of partial (local) concern. It means that the decision-making structure, whether governmental or private, recognizes this distinction and that as many and as broad decisions as possible are made at the lowest possible level within the organiza-





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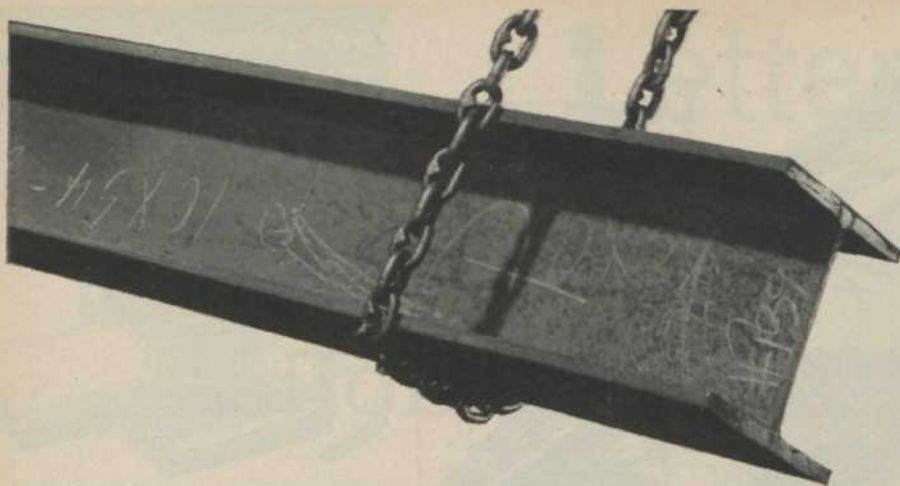
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tion. This approach is quite at odds with the assumptions of: 1, a narrow span of control; 2, extreme specialization; and, 3, centralized control, which are basic to the theory of "scientific management."

For instance, any number of the excellent studies in the behavioral sciences, made under the auspices of the Survey Research Center at the University of Michigan, have indicated that "general supervision rather than detailed supervision" and "an employee-centered approach rather than a production-centered approach" on the part of the supervisor are directly correlated with higher productivity. The relationship of these findings to "substantive decentralization" and federalism is quite obvious.

In the past Mr. Urwick has disagreed with me when I have characterized "scientific management" as not being "science in the exact sense." In view of the rapidly accumulating findings of carefully designed and controlled experiments in the behavioral sciences, I feel that the evidence supports "substantive decentralization," whatever it may lack in terms of being a "science in the exact sense." I make this statement as a practicing political economist, which I am—not as a behavioral scientist, which I am not.

WAINO W. SUOJANEN

►Mr. Suojanen is a consultant in financial management with the Department of Defense, in Washington, D.C., and Assistant Professor of Business Administration, the University of California at Berkeley.

### **Most valuable**

Of the various nontechnical periodicals I make a habit of reading, I believe NATION'S BUSINESS is one of the most valuable in helping me better understand my fellow man and myself.

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Detroit Controls Division,  
American-Standard,  
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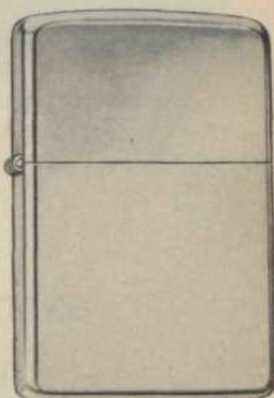
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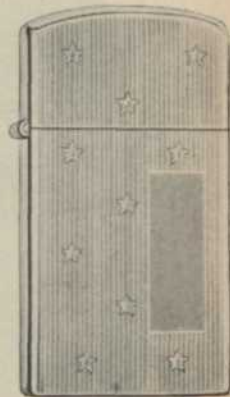
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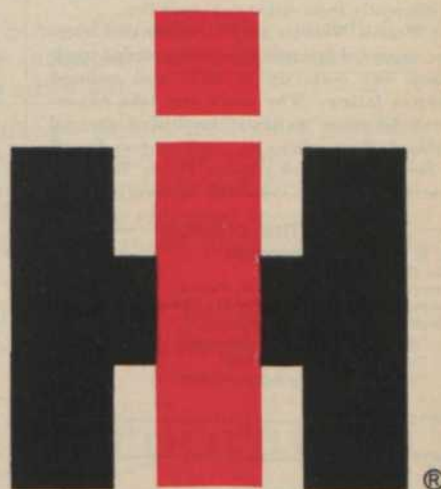
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**WATCH  
THIS ISSUE**

## Battle coming on defense buying

PRESSURE will be on Congress next year to revamp controversial military procurement practices so the U. S. can get weapons faster and cheaper.

Our national safety and private enterprise incentives as well as a \$22 billion-a-year defense shopping list are involved in the procurement issue.

Whether the aging and much-amended procurement laws will be overhauled is not certain, but already the ramparts are being erected and ammunition gathered for a possible battle next year.

A House Armed Services Subcommittee plans hearings this fall on the Procurement Act and contracting methods, while the Senate Armed Services Committee is making a staff study which could lead to hearings next winter when Congress returns to Washington.

Several key proposals aimed at reforming procurement practices have support in industry and at the Pentagon. These proposals are embodied in a bill by Sen. Leverett Saltonstall, top Republican on the Senate Armed Services Committee. His measure was introduced near the end of Congress and will be introduced in similar form when Congress convenes. These proposals will be in the thick of any controversy next year:

1. *Expand the "weapons system" concept of procurement.* The Armed Services Preparedness Subcommittee brought out in hearings last winter that, in many cases, 10 years have elapsed between the determination of a military requirement and delivery of the item. However, in the past few years, delivery of military hardware has been quicker and more efficient under what is known as weapons system procurement. Instead of contracting with a number of component makers to build parts for a weapon with detailed specifications, a military service picks a prime contractor who assumes responsibility and authority and gets the job done through his own and subcontractors' resources. The Thor

missile, for example, was developed under this system of central responsibility in a matter of months.

However, it is estimated less than half of the dollar amount of contracting is done now in this fashion. Instead responsibility is often spread over multiple committees and commands. Decision-making is so divided that creative contributions of industry are discouraged by the necessity to justify the most minute change or innovation at considerable expense and delay.

2. *Use performance standards instead of detailed specifications.* Fantastically detailed specifications are drawn for even the simplest defense supplies in accord with the Armed Services Procurement Act. The specifications sometimes take years to prepare.

Specifications for a self-locking nut, for example, cover 34 pages. An electric cable takes 103 pages to describe. The specifications for an army field jacket are detailed in 21 pages. And requirements for an electronic tube take 190 pages to list.

The proponents of detailed specifications insist that if an armed service calls for an item in general terms it could be delivered in many cases by a large corporation which already manufactures some commercial product similar to what is wanted. This would give big business an edge in obtaining procurement business. But if a product has to be tailor-made, small and big businesses compete for the business on equal terms, or so says the argument.

Detailed specifications, however, have hurt more than one small business. A small canning plant in Maine had a contract to provide sardines for the Navy. The contract specified that at least a certain number of sardines had to be in each can, and each can a specific size. Sardines were running bigger that year, however. So to get the required number in each can meant packing the cans till they bulged. The Navy figured the contents were spoiled and that was what bloated

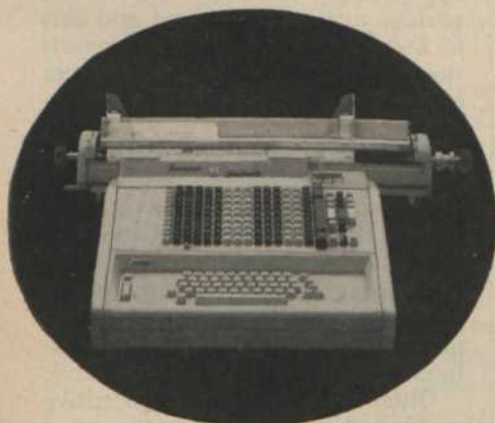




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## DEFENSE BUYING

*continued*

the cans, so the sardines were rejected. By the time the specifications were revised, the company reportedly lost so much money because of rejections it had to fold.

3. *Use commercial type items when possible.* Custom-made items are often more expensive than commercial products and take longer to get. There is the case of the cooling system for a jet fighter's electronic equipment which took months to design and develop. Then it was discovered that the specifications were incorrectly prepared and had to be redone. After two years, the military finally bought a cooling system that had been on the market commercially all the time.

4. *Make maximum use of incentive and fixed-price contracts.* Research contracts usually are negotiated on a cost-plus-fixed-fee basis, since few precedents exist on which to base costs. This form of profit guarantee, despite the actual cost involved, eliminates a contractor's incentive to economize and do the job as efficiently and quickly as possible.

Critics of the cost-plus type contract point out that ingenuity and efficiency of American industry are penalized when no incentives are offered to produce the best weapon as quickly and as inexpensively as possible.

In recent years, the incentive type contract has been used more frequently. With this type of contract, a target price is set for an item to be made. If the contractor succeeds in making the item at less than target cost, he turns over a fixed percentage—usually 80 per cent—of the savings to the government and gets to keep 20 per cent. If he exceeds the target price, he must pay 20 per cent of the excess cost and the government 80 per cent.

5. *Exempt some contracts from Renegotiation Board proceedings.* Under the Renegotiation Act of 1951, a defense contractor who does \$1 million or more of business with the military is subject, with certain exceptions, to Renegotiation Board proceedings. His profits are examined later to see if they are excessive.

Often the provisions of incentive or fixed-price contracts are negated by renegotiation. Under a typical incentive contract, an airplane manufacturer, for instance, saved \$10 million by making a plane under the price the government set as reasonable. The government received





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## DEFENSE BUYING

*continued*

\$8 million as a result of the contractor's economies. The contractor got \$2 million of the savings. But years later he was required to go before the Renegotiation Board and not only forfeit much of the 20 per cent of savings, but pay out large sums in accountant and legal costs.

Many small defense contractors refuse to accept more than a limited amount of military work because they can't afford the costs of renegotiation at some later time. At present the Renegotiation Board is five years behind in some cases.

6. *Assure subcontracting opportunities for all businesses.* Small business is given certain privileges to make sure it gets a share in defense contract awards. However, most small firms would be ineligible for prime contracts where the weapons system concept is feasible. Therefore, the Saltonstall proposals suggest that subcontract opportunities be expanded for small business by requiring prime contractors under the weapons system concept to follow government procedures now in existence for making maximum use of small businesses.

7. *Give Pentagon more flexibility in picking prime contractors.* The Armed Services Procurement Act requires procurement through advertised bidding except in certain instances when procurement by negotiation is permitted.

Advertising for bids provides maximum competition and a low price on items made by a number of possible contractors. But it has certain disadvantages. It can't be used for classified items or where there are no fixed specifications. It can't be used to obtain contractors with specific talents or facilities. Soliciting in accord with predetermined specifications also prevents the contribution of new knowledge or techniques. The formal bidding procedure generally is more time-consuming and costly since detailed specifications must be written and bids must be evaluated.

In cases where negotiated procurement is allowed, the Pentagon has used open and competitive negotiation with success. Under this technique, the government's needs are made known to a narrower group of potentially available and eligible contractors. Negotiation then takes place over a bargaining table with much greater speed and at lower overhead costs and in many cases lower prices. **END**

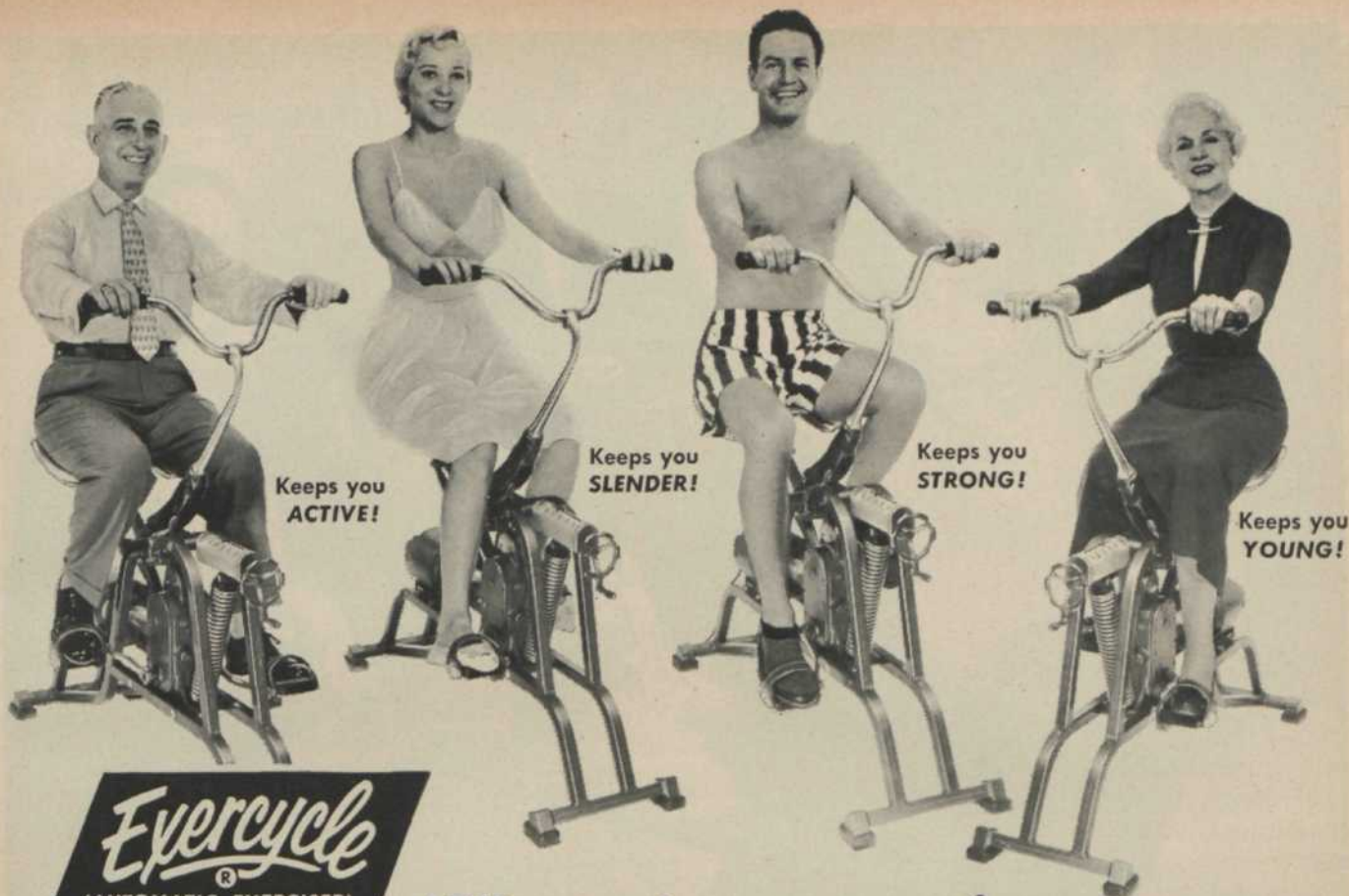
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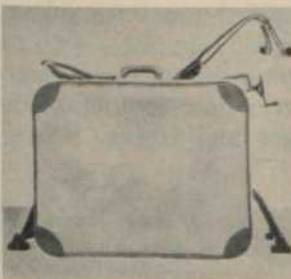
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## The state of the nation

### Congress showed courage in checking socialism

THE SECOND SESSION of the Eighty-fifth Congress authorized new expenditures, in addition to pre-existing obligations, of nearly \$73 billion, thus setting a record high for peacetime financial commitments.

With the budgetary deficit now mounting at an estimated average rate of some \$30 million daily, not many congressmen now seeking re-election will emphasize this extravagance. The inflationary implications are too strong. So there is the more reason why those candidates who can take credit should point with pride to one constructive yet relatively unadvertised accomplishment of the session. This was the abrupt reversal of the drive toward outright socialism, which was literally stopped in its tracks.

For instance, the bill to authorize TVA revenue bonds, for expansion purposes, was courageously blocked by the House Rules Committee, though the Senate had approved it last year. Similarly the House made possible the continued development of private power in the Hell's Canyon area, blocking the drive for public power there.



These achievements call attention to the important distinction between social security measures and those designed to socialize industry as such. The former, through the medium of heavy taxation and costly accounting, undoubtedly diminish the vitality of our economic system. But nationalization measures strike at the very existence of free enterprise. They are designed to replace it with the bureaucratic monopolization that has helped to make much of Western Europe dependent on American aid. Because of its gradually accumulated strength, capitalism can still make slowed-down headway under a huge load of wel-farism. With transfer of ownership from private to political hands, progress simply stops.

This distinction between the burden that debili-

tates, and that which kills, is well clarified in a study of "Nationalization in Britain," soon to be published in London by Macmillan, the firm which Prime Minister Harold Macmillan used to head. This book is the first full-length, objective study of the results of a decade of government ownership and operation in the five basic industries nationalized by the immediately postwar Labor Government. The sad record throughout this vital economic area is of much more than casual interest to us.

The author, Mr. R. Kelf-Cohen, C.B., is well qualified "to provoke some hard thinking on a subject befogged by doctrinaire beliefs," as he defines his purpose. Until retirement age Mr. Kelf-Cohen was a top civil servant in the British Ministry of Power, coping daily with the multifarious problems aroused by nationalization. The book, however, "is almost entirely based on official publica-

By Felix Morley



SMITH-BLACK STAR



## TRENDS continued

tions," increasing the effect of an indictment which is never emotional and always buttressed by facts.

His case against nationalization is certainly not weakened by Mr. Kelf-Cohen's prefatory admission that, as a youth, he was himself an ardent socialist. But, looking backward, he is "astonished at the slight intellectual effort" of those in university circles who most effectively promoted the destruction of free enterprise. As on many an American campus:

"We were content to prove that everything was wrong with the existing setup."

Problems which would arise in "the brave new world of socialism" were ignored. Thus we learn from this book that when the British coal mines were nationalized by Act of Parliament, in 1947, there was not even a blueprint for the enormous reorganization involved. The socialist leaders were prepared to destroy, but not to reconstruct.

Nationalization of coal was followed, also in 1947, by that of transport, the legislation merging all rail, road and inland waterway traffic into a single governmental undertaking. The same year saw the Electricity Act, making all power production from this source, now including nuclear energy, a government monopoly. In 1949 the production and distribution of artificial gas was nationalized, to be followed at the end of that year by the strongly resisted Iron and Steel Act. Happily this did not become operative until 1951, at the end of which the Conservatives regained office and promptly repealed it, as they have transport nationalization except for the railways.

The other industrial functions named, however, remain under government ownership and operation. And Mr. Kelf-Cohen thinks that no more of the ground lost to the state by private enterprise will henceforth be regained in Britain.

Some of the dismal results of British nationalization are already known in this country, such as the decline in coal production since the mines were taken from private ownership. Total coal output last year was 210 million tons, as against 211.3 million, at 50 per cent less cost per ton, in 1951. It took 11,000 more miners to produce the lesser amount, largely because absenteeism has climbed to the unprecedented average of more than 15 per cent for every working day. Much of Britain's dollar shortage is caused by the enforced importation of privately produced American coal, to make good the mounting deficiencies of her own publicly owned mines.

Generation of electricity, on the other hand, has

nearly doubled in 10 years of nationalization, but at a staggering cost and—according to this British authority—with far less return per unit of expenditure than our privately run utilities achieve. The financing of this one industry has in the past decade added about \$3 billion to the Treasury debt and this figure is mounting rapidly with the development of nuclear energy. It is ironic that inefficient coal production, under nationalization, is one reason why the government has monopolized the commercial development of atomic energy, hoping to augment the supply of power.

Other results of British nationalization, described in this book, are little realized over here. The British Civil Service, so long a byword for probity, is said to be seriously demoralized by the return of patronage. Department heads "are not accountable to anyone" for the appointments they make to the boards that run the nationalized industries. Yet the annual salaries paid these executives—seldom above \$15,000—are inadequate to attract ability. Moreover, managerial appointments are only for a term of five years, with a strong suggestion that they will not be renewed if the government changes in the interim. The cumulative result is that able young men are not entering the nationalized industries.

The average workman, on the other hand, has been taught to believe that the primary purpose of nationalization was to free him from capitalistic exploitation, and thereby improve his status. Consequently the trade unions in these five industries tend to increase rather than moderate their demands, wholly regardless of the operating deficits. To these demands the managerial boards habitually agree, because they are under no compulsion whatsoever to show a profit. The Treasury meekly meets the deficit, the cost of living rises, and to meet that increase the unions formulate new wage demands.

Government ownership and operation in Britain has proved itself wasteful, inefficient and utterly indifferent to consumer needs. But the indictment does not stop there. This dismal experiment has gone far to undermine the quality of a great people and the character of a great political system. In Mr. Kelf-Cohen's somber words:

"It must be recognized that the power of the executive has been greatly increased by nationalization and that this additional power is exercised in a manner which puts it outside the scope of Parliamentary review and criticism."

The last Congress, therefore, acted in its own, as well as in the public interest, by so resolutely refusing to surrender to the advocates of public power, which much more than mere welfare measures is the dangerous opening wedge for Marxism.



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## Washington mood

### President's birthday brings new estimate of his burden

PRESIDENT EISENHOWER will be 68 this month.

He has often remarked that no man can dictate the length of his own life, but he evidently thinks now that he has a good chance to live out his second term—and then some. His doctors have said publicly that they think so.

This would make him the first President in history to reach age 70 in the White House.

Another thought: If the soldier-statesman goes on to enjoy some years of retirement at his Gettysburg farm, there might be less talk about the Presidency being a man-killer. Those who know something about the inner workings of the White House have long thought that this man-killer business was greatly exaggerated. Two former Presidents—Harry S. Truman, 74, and Herbert Hoover, 84—tend to prove that this is right.

General Eisenhower was the second-oldest man ever to run for the Presidency when, at the age of 66, he sought a second term two years ago. The oldest was William Henry Harrison, who was a few days over 68 when he took oath of office in 1841. The hero of Tippecanoe died a month or so later.

Andrew Jackson in 1833 (second term) and James Buchanan in 1857 were just under 66 when they were inaugurated, and so just shy of 70 when they left the White House. Both men lived on for some years afterward, Jackson to the age of 78 and Buchanan to 77.



What has made President Eisenhower's case such a lively topic of speculation has been the successive blows to his health. Huge banner lines have proclaimed three of these—his heart attack of 1955, his ileitis operation of 1956, and his so-called little stroke of 1957.

There was a time when many believed that the only thing for a man suffering a heart attack to do was live the life of an invalid or semi-invalid. Per-



By Edward T. Folliard

haps that is still a good rule for some cardiacs; heart attacks vary with individuals, and much depends on the make-up of the victim, his treatment, convalescence and other factors.

In mid-February, 1956, a panel of doctors assured President Eisenhower that he could "carry on for five to 10 years." Two weeks later he announced that he would run for a second term.

Some physicians (not connected with the White House but of good standing in their profession) continue to shake their heads over the President's intensive golf-playing, saying in effect that no good will come of it.

Maj. Gen. Howard Snyder, the White House physician, says frankly that he would not prescribe golf for all who have been hit by a heart



## TRENDS continued

attack. In the case of some, he says, it would actually be dangerous. But he is convinced that golf is good for a man like the President, who played baseball and football at West Point and led an active soldier's life thereafter.

The question of whether exercise is good or bad for the individual, and whether it has a bearing on the life span, can provoke endless argument, with each side seemingly able to buttress its contention with persuasive examples.

The late Jim Watson, who for many years was a United States Senator from Indiana, used to say that the only exercise he took was in acting as a pallbearer at the funerals of his younger, golf-playing friends. (Chauncey Depew, a Senator from New York, who lived to be 94, is believed to have said it first.)

But plenty of golfers have lived as long as non-golfers Watson and Depew, or longer. It is true, also, that whisky drinkers as well as teetotalers, smokers as well as nonsmokers, have reached the 100 mark and gone beyond it.

No man who has served as President of the United States has ever become a centenarian. However, a good many have attained what is considered a ripe and enviable age.

John Adams, our second President and the first to live in the White House, died at 90. His son, John Quincy Adams, our sixth President, died on the floor of the House of Representatives, where he was serving, at the age of 80.

Thomas Jefferson, who was 57 when he was inaugurated for the first of two terms, lived to be 83; James Madison, his successor and another two-term, to 85.

• • •

About 10 years ago, an effort was made to prove that our earlier Presidents—that is, those who held the office before the Civil War—did better in realizing their life expectancy than those who came later. The idea behind this statistical exercise was to show that the Presidency had become more and more an exacting and terrific job; in short, a man-killer.

The argument does not stand up very well. For one thing, three of our Presidents after the start of the Civil War were assassinated long before they reached the Biblical threescore and 10—Lincoln at the age of 56, Garfield at 49, and McKinley at 58. That in itself would sharply reduce the average age attained by post-Civil War occupants of the White House.

The argument is further weakened, as has been

said, by the happy circumstance that former Presidents Truman and Hoover are alive and seemingly going strong. The septuagenarian Mr. Truman says he expects to live to be 100. The octogenarian Mr. Hoover recently published a much-praised book on Woodrow Wilson.

Both of these men had a rough time in the White House. So far as the records show, they were the only two Presidents ever to be booed publicly—Mr. Hoover because of the economic depression that came in his first year in office, and Mr. Truman because of his firing of Gen. Douglas MacArthur during the Korean War.

Today, 25 years after leaving the White House, Mr. Hoover is a lion in the eyes of his countrymen, far more popular than he was as President even before the depression.

Also, be it added, he is the most distinguished sports fisherman in the land.

As for Mr. Truman, his popularity is up, too; and professional historians (among them Sir Winston Churchill) have been saying that he will some day be ranked among America's greatest Presidents.

The Missourian still takes that early-morning walk, the only exercise he ever cared about, and he still likes a hot game of poker.

• • •

Getting back to what is sometimes called the terrible burden of the Presidency (a phrase current even in the unexciting administration of Calvin Coolidge), much is made over what a President has to do, but little is said about what he does not have to do.

He does not have to worry about household problems or bills; somebody else does that. Somebody also takes care of his banking, his income tax, his vacation and travel arrangements, and the writing of his speeches (if he prefers to use ghost writers, as most Presidents do). A hundred other chores are done for him so that his mind will be free for bigger concerns. Moreover, two physicians are assigned to the White House to look after the health of the first family.

What really makes the Presidency a hard job is the responsibility—a responsibility that affects the fortunes of more than 170 million people. But then, as Mr. Truman used to say, if a man can't stand the smoke he ought not go into the kitchen.

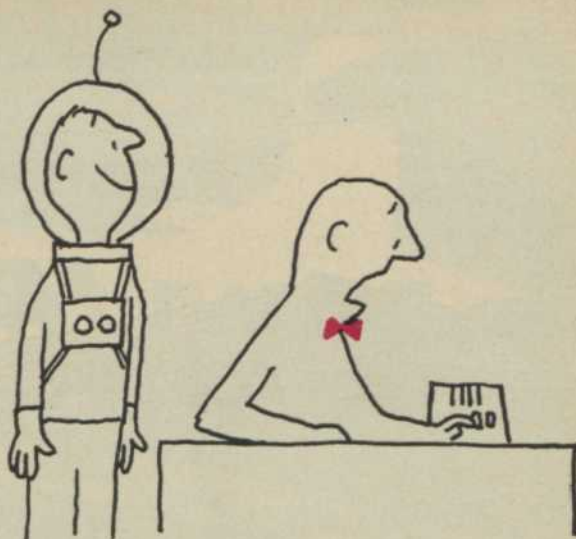
As is very evident, plenty of men in the United States Senate and in Governors' offices would like to brave the smoke and take on the responsibility. They do not think of themselves as heroes or candidates for martyrdom; they are simply ambitious men who want to move into the White House for a chance at glory, if only their countrymen will just vote them that great honor and privilege.





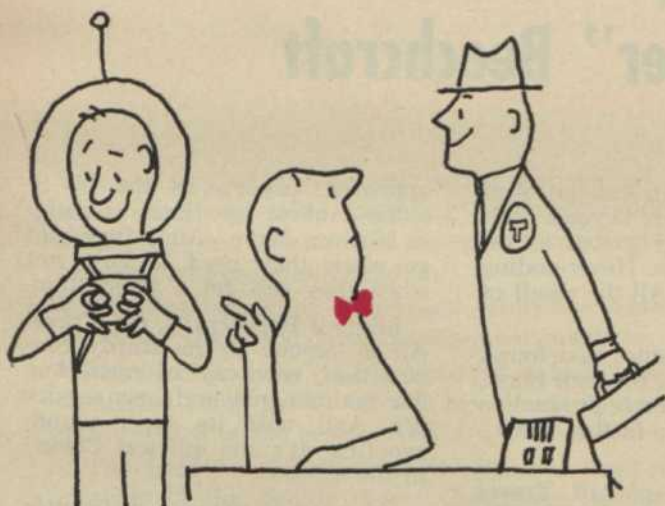
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And greater glory still ahead seemed certain till the day  
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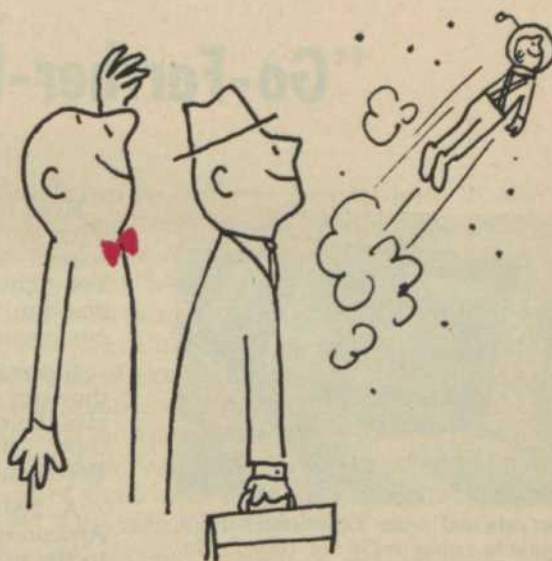
2.

Now Perry's son loved science, and for commerce had no place,  
(He wished to be a rocketeer and travel outer space!)  
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4.

"I'll get a brand-new partner now—a man who shares the load,  
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New Page & Co. is doing great—its future well secured.  
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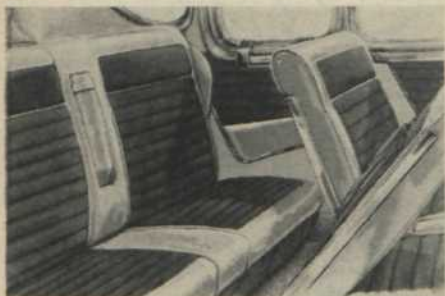
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# UNION VIOLENCE CAN BE CURBED

Double standard in enforcing laws works  
against business, and breeds labor abuses

TWO KINDS of government action are needed to cope effectively with mounting union corruption, abuse of power, violence and disregard for individual, property and community rights:

- Effective legislation to provide protection against improper union and labor-management practices.
- Elimination of the double standard in law enforcement that some public officials have come to accept when breach of the peace involves a labor union.

The need for both actions is apparent from disclosures of the Senate Select Committee, which is nearing the end of its second year of labor rackets investigations under Sen. John L. McClellan, and from other sources.

Progress in both directions is affected by the state of public opinion and the kinds of persons elected to Congress and placed in local and state offices. That is one reason why union officials put so much emphasis on political action, and why businessmen are beginning to take a greater interest in the practical side of politics.

A wise politician once said, "I don't care who makes the laws. Just let me pick the man who enforces them."

That does not satisfy union leaders today. They will work hard this fall to help elect friendly congressmen and state legislators to pass the kind of laws they want as well as try to get friendly public officials named to enforce them.

The record shows how labor's influence on public

officials can be costly to your business. It also shows how unequal enforcement of existing laws affects the rights of your employees, customers and the public.

The need for effective legislation is being recognized in Washington and many state capitals.

President Eisenhower is insisting on, and interested members of Congress have promised, corrective legislation aimed at many of the abuses the McClellan Committee has revealed.

Effective legislation in the next Congress is the goal of those who fought the Senate's Kennedy-Ives bill. The Administration and the House rejected this bill largely because it did not deal with secondary boycotts, blackmail picketing, and other major problem areas, and contained provisions which had nothing to do with cleaning up the labor movement.

Even the new Welfare and Pension Plans Disclosure Act admittedly is only a first step toward proper control of employee welfare funds.

Progress toward equal local law enforcement will be slower. It has suffered from lack of national concern—because local communities are involved—and because of the attitude of many public officials that acts of violence are entitled to some special immunity when they result from a labor situation.

The McClellan Committee put the spotlight on some examples:

In Scranton, Pa., the committee found that law en-



## UNION VIOLENCE

*continued*

forcement officers "were generally slow to seize their responsibilities." The stink bombing of a bakery resulted in no prosecutions. The builder of a house where a wall was pushed over was never contacted by local police, and by state police only after the dynamiting of another house six months later.

In Tennessee, the committee found that law enforcement agencies accorded Teamster Union people "scandalous immunity" from prosecution for dynamitings, sluggings, window smashings and other violent acts because of an underlying fear of tangling with union power.

In Nashville, the committee found that the power of Teamster officials reached into key sectors of local government. Union organizers serving jail terms for smashing barber shop windows did not have to work on the road gang. A city employee was fired when he pressed assault charges against a union organizer after a city official suggested that the charges be dropped so as not to hurt the mayor politically.

A Niles, Ill., restaurant operator told the committee that state police told him they could do nothing about numerous acts of violence against nonunion restaurant

employees in 1952 because they had been called off by the governor's office.

The pulpit and the press in Princeton, Ind., deplored the double standard of law enforcement during a long and violent strike by a local of the International Association of Machinists. The child of a non-striker was shot while asleep in its crib when the family trailer was blasted by gunfire.

The Rev. Edward W. Greenfield, pastor of First Presbyterian Church in Princeton during the strike, commented from the pulpit on the fear that had gripped the town:

"Think of it—a tiny minority keeping the vast majority terrorized.

"That is how the dictators take over, not by converting people to their way of thinking, but by keeping them cowed.

"There is nothing in America so dangerous as a lot of good people who, when the good is challenged by an evil, sit tight and do nothing, thinking only of their own skins."

Later, the Rev. Greenfield wrote, "The irony of the problem of organized labor is that, during a strike, violence is largely condoned.

"Under the political privilege and moral sanctions which organized labor has so long enjoyed, there is a double standard in regard to labor violence.

"It is somehow taken for granted that, in labor disputes, violence will occur and must be accepted, and

UNITED PRESS PHOTO



Violence on picket line often is immune to prosecution when local officials fear union power, McClellan Committee found



therefore condoned, as it is accepted, condoned, and even glorified in military warfare."

The Indianapolis *Star*, in an editorial, attacked the double standard this way:

"There has been too much inclination in Indiana and elsewhere to regard vandalism, physical violence, even gunplay, as one thing when practiced in connection with a labor dispute, and another kind of crime entirely when no labor union is involved. . . .

"The strikers are entitled to the law's protection, but so are those who refuse to strike. When the law becomes a one-way street to be traveled only by a select minority, that street leads to anarchy. . . .

"The lethargy that all too often grips peace officers called upon to investigate bombings, destruction of property, and gunfire in the night when a labor union is involved is as criminal as the acts themselves. Too many chiefs of police stay home when the labor goons are on the prowl. Too many solid citizens plead that it is none of their business. Too many politicians look the other way."

Strike violence in several Indiana cities was a major factor in the enactment of a state right-to-work law last year. The law makes it unlawful to require a worker to belong to a union—or not belong to a union—to get or hold a job. Union membership is strictly voluntary.

In connection with the long and bloody United Auto Workers' strike against Kohler Co., Kohler, Wis. (it began April 5, 1954), the company cites numerous incidents of unsolved crimes of assault, kidnappings, bombings, destruction of property, and other violence, and failure of the sheriff's office to protect those employees who wanted to go through picket lines to work.

Sheriff's deputies urged nonstrikers to go home to avoid getting hurt, the company charged.

"Are unions above the law, and entitled to engage in violent, coercive and illegal conduct to enforce their demands?" Herbert V. Kohler, president of the struck firm, asked in a speech to Chicago businessmen.

"That is the issue we have been facing at Kohler. This is an issue that faces American industry in general.

"It is necessary to decide whether you settle an issue by ducking it or by meeting it, whether you win a battle by surrendering or by fighting."

Ordinarily, a state has little difficulty bringing to trial a fugitive who is caught in another state. But Wisconsin authorities found they could not bring back a man who had fled to Michigan, and who was charged in a warrant with breaking the neck of a non-striker, who later died. Michigan Gov. G. Mennen Williams, considered friendly to the UAW, refuses to grant extradition on the ground that he believes the man would not receive a fair trial.

Some law enforcement officials make it a policy not to get involved in labor disputes on the theory they thus are not taking sides. Actually, such inaction usually results in siding with the union, particularly if mass picketing prevents citizens from going to work.

This raises a question: Just what are the duties of a policeman at a strike-bound plant?

John F. Repko, an attorney for the General Electric Company plant

(continued on page 58)

## You can combat extortion

MANY EMPLOYERS, in the hope of protecting their business and their employees from union violence, are the unwilling victims of extortion. The McClellan Committee investigations reveal this form of racketeering to be widespread.

To help businessmen combat extortion, the Labor Relations and Legal Department of the U. S. Chamber of Commerce has issued a pamphlet which describes various forms of extortion, an employee's legal rights, and how he can protect them. It is called, "Extortion—Employers CAN Combat It."

"Probably the most important element necessary to rid the labor-management field of extortion is a little gumption on the part of employers," the pamphlet says.

"An employer who is prone to avoid labor trouble at all costs will be an easy mark for the extortionist. The rights an employer has under the law are useless unless he stands up for them."

Essentially, extortion is economic blackmail whereby an employer is induced to give up property—under threat of physical violence to himself, his family or his property—or under threat of labor trouble, the pamphlet points out. It adds, however, that a legitimate union demand backed up by a threat to strike is legal.

The chief federal law applicable to extortion is the Hobbs Anti-Racketeering Act, which was amended in 1946 to cope with racketeering in labor-management relations.

The Chamber publication lists these examples of Hobbs Act violations:

1. A demand involving wages, hours and working conditions accompanied by violence or a threat of violence.

2. A demand for a personal payment in the form of money or goods, accompanied by a threat to call a strike, start picketing, etc.

3. A demand for a personal fee, accompanied by a threat of violence to management representatives, their families or to company property.

The publication gives these tips for employer action:

1. Try to have a witness or witnesses present when an unlawful demand or unlawful action takes place.

2. Enlist the aid of the United States District Attorney and the FBI. The U. S. Attorney can tell you whether there is a violation of the Hobbs Act and if prosecution is possible. The FBI can help you get evidence.

3. Granting the demand of an extortionist will bring recurring demands and will not solve your problem.



# LEARN TO WORK WITH YOUR BOSS

Getting along with the front office boosts executive competence. Try this

MUCH EXECUTIVE TURNOVER can be traced to friction between managers and their superiors. This economic waste can be lessened by following some principles of effective human relations and communications.

Some typical turnover statistics show how serious this waste may be. Here are the reasons executives gave for changing jobs recently:

Insufficient challenge in job	22%
Unsatisfactory compensation	19
Clash of personality	14
Lack of advancement opportunities	11
Disagreement with company policies and methods	9
Resignation	6
Reorganization	6
Responsibility without control	5
Miscellaneous	8

What do figures show? In 14 per cent of the cases, the "Clash of per-

sonality" item—boss trouble—avowedly caused the quit.

But the story doesn't end there. Examine other items on the list, and it becomes clear that trouble with a superior might easily have played a part:

"Insufficient challenge in job." A realistic paraphrase might be, "The boss sat on the intriguing assignments, gave his subordinate the leftovers."

"Lack of advancement opportunities." That might mean a boss has thrown a roadblock across the path to progress for his subordinates.

"Disagreement with company policies and methods." In some cases this might mean, "I couldn't stand my boss's attitude toward people," or an adverse reaction to other aspects of the method of operation used by the superior.

"Resignation." This might mean the boss made a suggestion for set-

ting differences—in a permanent manner.

The future is not likely to make this picture any brighter. The increased pressure on management, the need to cut costs, to improve performance, will put all kinds of business relationships under new stresses and strains.

An examination of your relations upward and a consideration of methods available for improvement may represent a key step forward in your efficiency and job satisfaction. It will be useful to know:

- ▶ What are good relations?
- ▶ Why do strains exist?
- ▶ What can be done about them?

## Good relations

You can kick around the question, "What are good boss relations," and come up with as many opinions as there are interviewees. Yet, it's helpful to analyze a satisfactory relationship to get insight into its opposite.

To begin with, relations can be too good between you and your boss. No matter how excellent a performer you are, your boss could make you muscle-soft by an easy acceptance of your ideas, incessant approval of your accomplishments or by starting up an organizational road-building project aimed at paving the way for your advancement.

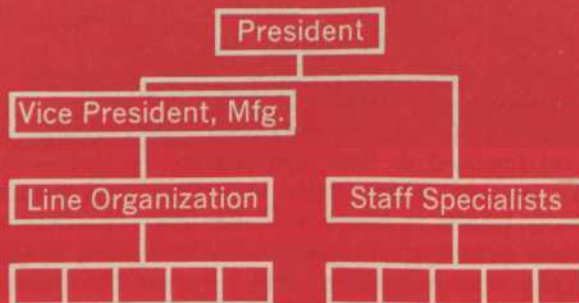
Think back to your school days. Isn't the teacher to whom you feel most thankful the one who put you



Subordinates' boss relations can be helped or hampered by the company's organization



## COMPANY A





over the jumps, but in so doing developed your interest and capabilities in his subject?

An examination of many case histories in which both the manager and his boss agreed they got on well together showed these elements:

- a. Mutual respect.
- b. Mutual approval.
- c. Mutual stimulation.
- d. A more or less tension-free personal relationship.

#### Why strains exist

Certainly, the logic of the subordinate-superior relationship itself cannot explain the frictions that frequently exist. Both parties have every reason to want good relations, and have practical incentives to work to achieve them. What forces explain the contradiction? Several possibilities suggest themselves:

*Difference in standards:* One company president stated recently, "My vice president in charge of operations and I are at loggerheads. His opinion on a major policy matter was ethically so improper that it has damaged my evaluation of him irretrievably."

*Restiveness under authority:* "It's extremely difficult for me," the division manager of a plastics plant stated, "to take orders from a man I don't respect."

*Feeling of threat from below:* "My assistant feels he's ready to take over my job," reports the operating head

of a company. "Guess I'll have to train the idea out of him."

*Organizational causes:* In some cases, the relationship dictated by the company's organization chart is largely to blame. Note three possible situations below, and their implications—

In Company A, the vice president, manufacturing, carries well defined responsibilities. His authority in the line organization is easily understood by his subordinates and his superior alike.

In Company B, however, the vice president is not in such a clear-cut position. Questions may arise where subordinates are uncertain whether to go to him or to the Chief. The confusion and frictions that might result are obvious.

It's in Company C, however, that the executive in charge of personnel is in a particularly vulnerable position—true, by the way, of many staff executives. The personnel executive carries neither responsibility nor authority. Yet, his access to his boss's ear, his screening of personnel ideas, his potential power to influence decisions—all these put him in the hot seat.

#### What to do

"Knuckle down or get out," is the advice seasoned executives frequently give their young colleagues who have boss trouble.

It's a grim choice at best. By going along with a superior, suppressing

their own ideas, opinions and feelings, some executives have been able to exist in a job. But this kind of adjustment may represent serious losses: loss of emotional equilibrium, as a result of sitting on feelings; loss of personal efficiency, since executive capabilities are not being used.

In a sense, knuckling down represents a compromise. But it is not compromise between an executive and his boss, but rather between an executive and his own integrity.

As for the "getting out" alternative, the executive turnover statistics show that it's a commonly embraced answer. But just consider the waste to all concerned:

Many an executive taking the bitter plunge leaves behind years of dedicated service, the potential of valuable experience. His superior suffers allied losses: training time, the unique talents of the departed. Company losses include as well a slight stain on the reputation for being "a good place to work."

In addition, for both executives, there must linger a feeling of failure.

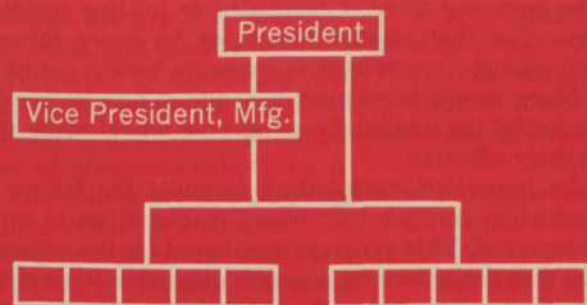
#### 1. Search for the roots

First step, when relationships are going to pot, is to track down causes. Many standard symptoms have standard origins:

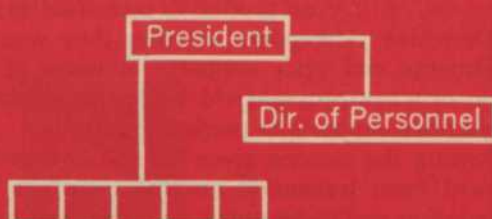
"My boss is afraid I'm going to take his job." Whether the difficulty stems from an overly aggressive subordinate who actually has been

(continued on page 68)

### COMPANY B



### COMPANY C





# FARM spending outlook changing

Why current trends would mean lower  
costs and more freedom for farmers

Sounder federal farm policies are in sight.

If the trend now evident continues, the future may see:

- An end to efforts to support farm prices.
- A retreat from the philosophy of controlled agricultural production.
- A more realistic acceptance of the farm population's part in the national economy.

The result can be a considerable lowering of costs to government and a new freedom for farmers.

This trend was already evident in the actions of the Eighty-fifth Congress. What that Congress did, and the considerations that shaped its actions, suggest the direction that future farm legislation may take.

In the recent Congress, the system of controls to curtail production of basic commodities was materially loosened. Acreage allotments and marketing quotas were eased for cotton and rice. Possible termination of corn allotment was provided. The so-called escalator clause was terminated for one commodity: rice.

A dent was put in the price support program by lowering the permissible minimum for cotton, rice and corn. The shibboleth of "parity" emerged considerably tarnished, with corn producers permitted to choose in a December referendum whether they want acreage allotments and price supports in terms of a parity ratio, or a new program which discards allotments and gears price supports to market trends.

Among the reasons given for the changed attitude toward farm legislation are the country's changing population and a consumer revolt against high prices of farm products. Both these developments undoubtedly played a part.

The facts of population support the possibility of declining farm political power. In 1930 farm families constituted 25 per cent of the nation's population. The

coming census, in 1960, is expected to show a decline to 10 per cent. As urban population has grown, both relatively and absolutely, more and more members of Congress, especially of the House of Representatives, are increasingly dependent on urban voters, rather than farm voters, for political success. It is significant that, for the first time in history, a representative without a single farm in his district served on the House Agriculture Committee in the Eighty-fifth Congress.

As for the consumer revolt, it is obvious that during inflationary price rises people are sensitive to increases in the cost of living. Since food is a substantial factor in this index, it is inevitable that farm programs to raise prices should become a target for this sensitivity. This is especially true with many consumers who feel that they are paying twice, once in taxes for programs to raise farm prices, again through the higher prices that result.

But in addition to these, there are other forces that have been eroding the so-called farm bloc.

For a relatively long time the farm bloc operated largely on the basis of mutual support for different commodity and area interests. With some give and take here and there it succeeded in putting together legislation that yielded something for every interest well enough represented to make its weight count.

Many recent developments in agriculture itself have weakened the unanimity of purpose which made this strategy effective.

An important contributing factor is the failure of production controls for "basic" commodities to work as expected. This program was based on the assumption that limitations on acreages planted to these crops would curtail supply and create relative scarcity, thus increasing prices.

But, acreages diverted from the controlled crops



were planted to others. This created competition for other producers and tended to transfer the relative surplus problem to them. Inevitably resistance and hostility developed among these producers, who feel that producers of the basics are trying to have their cake and eat it too.

Moreover, limiting the acreages did not even control output of the basic crops. With an exploding technology at their command farmers have produced bigger and bigger crops on fewer and fewer acres. This has disillusioned many farmers with the whole control approach.

Improved technology has had two other important effects in the changing pressures on farm legislation.

First, its rapid rise has accelerated the development of commercial farmers as practical, business-minded managers. As such, hundreds of thousands of farmers have become acutely aware of the economically unsound consequences of many aspects of farm programs. This has tended to divide farmers roughly into two broad classes, the business-minded commercial producers, and the not-so-commercial minded—thus splitting the farm bloc more widely.

Second, technology creates necessity and pressure for the largest possible volume in order to reduce unit costs. In the face of this, limitations on production appear as frustrations to the farmer, and increase his irritation with the approach. Increasing numbers of farmers are voicing their impatience with the general scheme and demanding an end to it. This is not confined to large farmers. Many small farmers are finding that, as the programs call for further tightening of the control noose, their already small allotments become smaller and their unit costs mount. Many protest that they can no longer afford to produce the regulated commodity.

Unrealistic price supports and pricing policies have been another major force in changing the thinking of farmers and of their representatives in Congress and in the farm organizations. Price supports above market levels have prevailed long enough to convince increasing numbers of farmers that artificial pricing destroys market opportunities at home and abroad, holds a subsidy umbrella over otherwise uneconomic production, and gives great advantage to substitute commodities wherever they can be devised and used. This is well illustrated in the case of cotton. Many farmers and their representatives in Congress who a short time ago were supporting mandatory high prices are today among the most ardent in demanding more realistic pricing policies.

Against this background it can be expected that some of the progress made in this year's legislation will stick, and that there will be more to come.

However, in examining what the trend suggests for the future, it may be well to recognize some of the uncertainties that put a question mark on the degree of progress made this year.

First, the leadership in Congress, as far as the committee system is concerned is now and will probably continue to be in the hands of men still largely devoted to the philosophy of a powerful federal hand over the farm economy. This leadership has too much of a stake in what they call "our basic farm laws" to be expected to yield without

(continued on page 90)

## Trends point to:

### End of price supports



### Retreat from production control



### Realistic acceptance of change in farm population





A Nation's Business Interview with  
**Prof. C. Northcote Parkinson,**  
author of "Parkinson's Law"

# Business soft spot: Too much administration

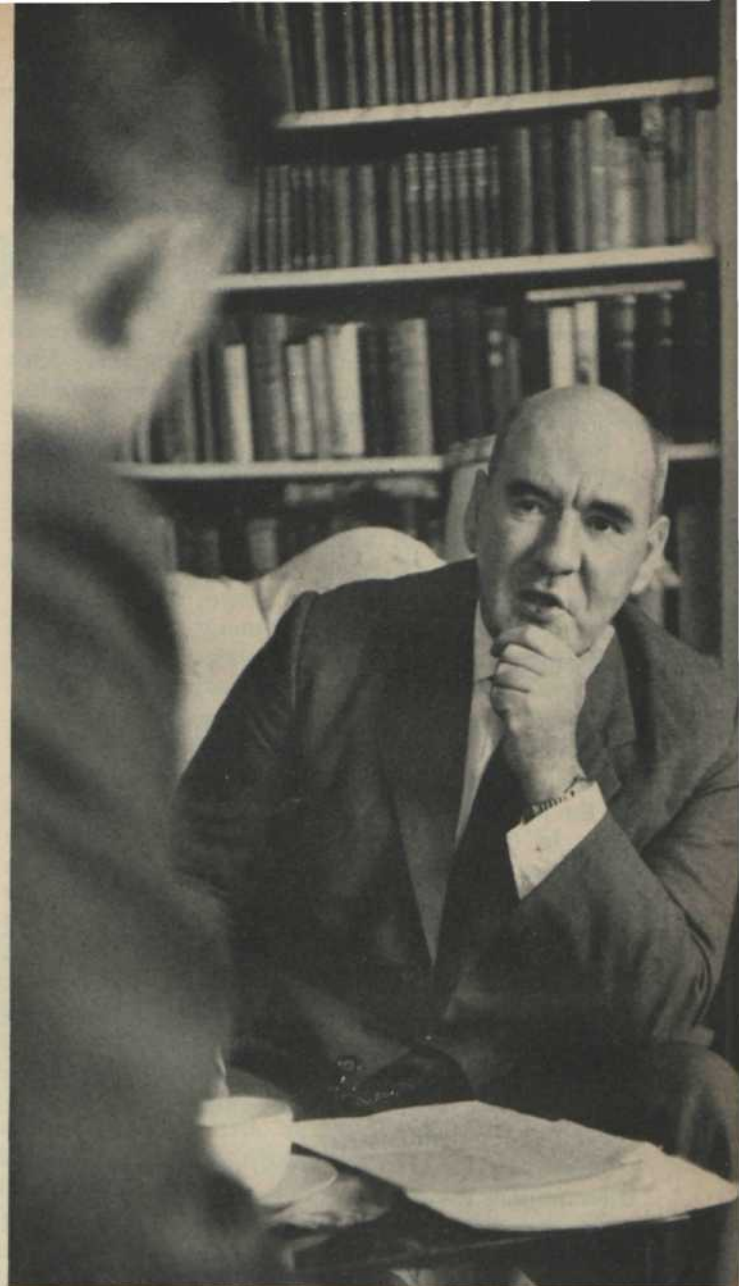
British authority looks  
at U.S. management's  
strengths, weaknesses

BUREAUCRACY is as much a threat to business as to government.

That's the view of Prof. C. Northcote Parkinson, author of "Parkinson's Law," a witty analysis of the shortcomings of administrative practices in business and government.

In an exclusive interview with NATION'S BUSINESS, Professor Parkinson also expressed considerable concern over the effect on business of governmental red tape. He emphasized that the burden of paper work created by government weighs particularly heavily on the smaller company.

The interview was conducted in Cambridge, Mass., where Professor Parkinson recently completed a series of lectures in the Harvard University Summer School. He will return to his regular post as Raffles Professor of History at the University of Malaya early next year, after concluding a lecture tour. In his lectures he is developing his now famous theme that "work expands so as to fill the time available for its completion."<sup>1</sup>



COYNE-BLACK STAR

Here's how Professor Parkinson answered questions in the interview with a NATION'S BUSINESS associate editor:

**Professor Parkinson, what are the weakest elements in modern business organization?**

The problem that strikes me is that we have established no normal ratio between the scale and the cost of administration and production. No one seems to know what proportion of effort should be put into administration.

Now that is obviously going to be different in different lines of business. But, at the same time, it seems to me that a norm would be extremely useful because, if you were departing from it, at least you would know that you were, and would ask yourself why. If your administrative costs were higher than an established normality, then you could ask what particular justification there was in your case. The lack of such a ratio is a great lack in our equipment.

<sup>1</sup>"Parkinson's Law" (Houghton Mifflin Co., Boston, Copyright 1957)



**Can you illustrate the kind of difficulty this creates?**

Say a consultant comes up to your company and tells you, "You have too many purely administrative people as compared with your technical staff."

How do you know whether he is right or not?

**Do you feel that some companies have too many people performing administrative tasks?**

I think that is right. There never seems to be any difficulty of expanding at that level.

**Is empire-building a serious shortcoming in modern companies?**

As I understand the matter, the question is how much competition there is in the industry concerned.

Where competition is limited, companies don't feel the same limitation in costs. There I think the danger of building up a top-heavy structure of administration is very real.

**Isn't it simply human nature for people to try to expand their areas of responsibility and enlarge their staffs?**

The tendency is there, but it is most unchecked where there is no financial consideration to keep down costs. That is why the government comes to mind first of all because there you have no balance sheet and no profit and loss account of any kind.

**How can a business executive tell whether he is falling into this trap?**

One symptom is overwork. Too many administrators create more and more work for each other. They circulate more and more papers among themselves. They have too much to do, not because there are too few of them, but because there are too many.

**The question of paper work harasses many executives. Have you any thoughts on handling this problem?**

Well, first of all, a considerable burden of paper work is created by the government. This, I think, bears particularly heavily on the smaller firm because, in effect, government organizations in this country more than any other have managed to shift onto the businessman a great deal of what is strictly government administration, as, for example, tax collection. There is a considerable burden there, including social security deductions and so on.

I have heard of firms which have to keep two sets of books; one in the form which government demands, the other the one in a form which, to the firm, appears to be the realistic one.

The extent to which government pushes paper work on companies inclines them to breed more paper work on their own. In a sense you begin to turn the executive into a civil servant. The civil servant mentality spreads.

**How can a manager tell if he is beginning to acquire this bureaucratic mentality?**

One symptom is when he becomes fussy about details—old-maidish about things like colored ink and paper clips, pencil sharpeners and carbon paper. Office work is a means to an end. The danger begins when it becomes an end in itself.

**Do you think that today's business organization is a breeding ground for the conformer?**

My first thought is that in the large organization you have less and less room for the erratic genius. The responsibility is too great for anyone to take any considerable risk with the stockholders' money, the well-being of the employees and national interest, and so on. In a large firm, an amount of conformity seems to me to be inevitable.

**Are there countermeasures for controlling or reducing conformity?**

I don't think there can be. But, mind you, I don't think it is fair to equate conformity with apathy.

You can conform with the general policy but that doesn't mean that you are apathetic toward it.

**The larger company, then, need not lack creativity?**

It can be a dynamic company. Conformity doesn't prevent it from being dynamic. As for apathy, I think the danger there may be that the thing becomes so mechanical and routine that the people lose interest. I should have thought the answer to that is calling in an outside consultant who can afford to be objective and objectionable. He will be with them one or two years. He can afford to make enemies all around the firm and clear out again.

**What are your thoughts on the value of management development programs?**

I have had no personal experience with such programs, but so far as I can understand, when you start taking people off the job for some kind of conference, the immediate effect is to arouse enthusiasm and interest. But so far as I can make out, that enthusiasm is likely to die out quickly unless some attempt is made to put something into practice immediately afterward. People are frustrated by the routine of things as soon as they get back and perhaps by the work that has accumulated while they were away.

**How do you compare the values of autocratic and democratic executive leadership?**

I stand with the autocrats. I think a lot of time can be wasted in trying to put up a show of democratic management. What tends to happen is the people try to guess what the boss wants. They think that he has probably decided on the policy anyway—which I guess he usually has. Then he calls together a meeting of executives and everybody tries to support his decision. I think that is (continued on page 83)



# UNFAIR TAX CHECKS GROWTH

Your future profits and an improved standard of living depend on how we handle two forces

BUSINESS GROWTH in the future will be adequate only if a high level of investment is possible.

But two forces are now reducing investment and checking growth.

These factors are taxes and inflation.

How much and how fast our standard of living increases will depend in large measure on how well we meet these threats.

Although in the past 100 years the standard of living has grown faster in the United States than in any other country, the growth has not been uniform.

From 1910 through 1929 manufacturing plant and equipment on a constant dollar basis is estimated to have increased three per cent a year. This was a growth of about 1.25 per cent per capita. Per capita income also increased in those years.

From 1929 through 1939 investments were small. The real value of plant and equipment increased practically none and the value per capita actually declined. The standard of living did not rise appreciably.

In the decade after World War II, total investment in plant and equipment increased about four per cent per year. Per capita investment grew about 2.25 per cent per year. Per capita income grew and expenditures increased 1.75 per cent per year. The standard of living rose at a healthy rate.

One of the reasons for the sharp decline in investment during the 1930's was the drain of corporate income taxes on funds available for investment. Corporate losses exceeded corporate profits from 1931 to 1934. Corporate income taxes during those four years of net losses exceeded the total corporate tax of the good profit year of 1929 by 50 per cent.

Management felt that investment during those years was a hazardous business. If the investment failed they took the loss. If it proved profitable, the government

was a major beneficiary. The investment prospects had to be unusually good to tempt funds in times of uncertainty plus increases in corporate taxes.

If the after-tax return which will attract investment is 10 per cent and the effective income tax is 50 per cent, the pretax return must be 20 per cent. Many investments which would yield 10 per cent or 15 per cent will not yield 20 per cent. If the sum of state income taxes plus hidden income taxes plus federal income tax comes to 60 per cent, a common experience, the pretax return must equal 25 per cent a year before, in general, a new investment will be warranted.

There is one way around this but it, too, has the effect of reducing investment: If a new plant can be used for a period 75 to 90 per cent longer than it would ordinarily be used, the new investment may be defensible. If a tool which could be replaced to advantage after 10 years can be kept going 17 to 19 years, it may be purchased despite the tax. This means that new equipment is not bought as early or as often as desirable.

As long as taxes hit everyone alike, they are accepted as one of the costs of doing business and the pricing pattern is adjusted accordingly. But even taxes which are applied equally to all have some unexpected deterrent effects on investment. For instance, the efficient firm—that is, the firm with the lowest costs and the one which, from a social standpoint, should expand—pays the highest tax.

Other countries have begun to adjust their corporate income tax policies. Canada, for instance, which in several respects has had more favorable income tax policies, has been growing faster than the United States. While we grew about four per cent per year from 1950 through 1957, Canada grew about five per cent, or a fourth faster.

Adding to the already high burden of income taxes



is the hidden income tax created by inflation. Income taxes are assessed in terms of current dollars, not in terms of real constant dollar earnings. The present tax requirements for the handling of depreciation costs magnify this effect. This important cost is not allowed to be reported in current terms for tax purposes. As a result, an inflation of three per cent per year for 10 years could cut real profits per unit of sales by about 20 per cent. The faster the inflation, the less the allowance for replacement costs; therefore, the greater the tax. Instead of allowing industry to set aside more for replacement as prices rise, the tax collector increases his bill year after year and leaves industry with less and less.

The Machinery and Allied Products Institute has calculated that inflation today has raised the annual cost of replacing plant and equipment to a level about \$6 billion higher than the tax regulations permit companies to charge off. This means that corporate profits are reported as \$6 billion higher than they really are. So corporate taxes are about \$3 billion higher than they should be.

An illustration will show how this works out:

If a company's sales come to \$1 million and the real cost of making those sales—including depreciation—is \$800,000, the real profits are \$200,000 before

taxes and about \$100,000 after taxes. But depreciation must be reported at the original figure rather than at the current replacement value. If replacement value is \$150,000 and the original cost was \$50,000, the company must use this latter figure in its tax return. This means it must report costs of \$700,000 rather than the actual \$800,000. The reported profit is, therefore, \$300,000 rather than \$200,000. The tax is \$150,000 and the actual amount left after taxes \$50,000.

The company has paid taxes on the depreciation of the dollar as well as on its profits.

This method of handling depreciation accounts increases government revenues momentarily, but at the expense of the future. If funds were made available for expansion and for new investment for cost-cutting purposes, productivity and output would rise and the Treasury would benefit. Tax policies which encourage expansion are the tax policies which, in the long run, will yield the most to the Treasury.

Inflation also raises government revenues at the expense of investment. This, too, can continue but a short time.

The immediate result is to divert funds from bonds to the stock market. It is not so obvious in the early stages that inflation also cuts the value of stocks.

The general thesis, *(continued on page 44)*

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**A banbury mixer**, a common piece of rubber machinery, is estimated to have a useful life of about 25 years. In 1932 the price of that mixer was approximately \$30,000. To replace the mixer today without allowance for improvements costs roughly \$120,000. How-



ever, depreciation allowances on this item total only \$30,000. At the time of replacement, the difference between \$30,000 and \$120,000—a measure of inflation—comes out of profits. With the low profits margin in the rubber products industry it takes \$2 million in sales to earn \$90,000 in profits after taxes. This same thing is true not only of the banbury mixer but of calenders, mills and all other pieces of equipment that you can find used daily in our factories.

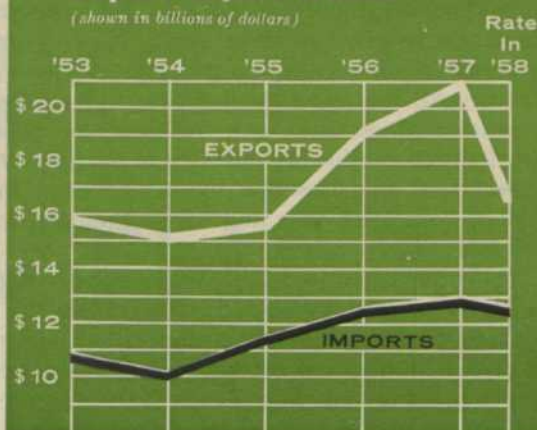
—John N. Hart, Controller  
The B. F. Goodrich Company



# HOW'S BUSINESS? today's outlook

## Export-Import trends

(shown in billions of dollars)



### AGRICULTURE

Chances are that little immediate improvement in the production-consumption imbalance will result from the Agricultural Act of 1958.

Production-wise, it's an improvement for the producer. Scheduled reductions in rice and cotton acreage are eliminated. Cotton producers may expand acreage in return for lower support prices.

Acreage allotments for corn will be eliminated, if this is approved by referendum.

However, the reductions in price-support minimums may prove to be only a weak stimulant to expansion of market outlets. Assuming the Secretary of Agriculture lowers supports on these commodities to the minimum authorized, rice and cotton may approach a competitive status on world markets by 1962 when the support price reaches the 65 per cent floor. Neither of the price floors to be offered in the corn referendum (65 per cent of parity or 90 per cent of the 3-year market average) is low enough to effect a downward adjustment in production.

Thus, we may expect the new farm law to increase production. Much of this will go to federal warehouses as long as prices are kept above market potentials.

### CONSTRUCTION

A record year may lie ahead for construction. Adding to general in-

dustry revitalization is spending authorization for nearly \$7 billion, voted in the congressional session just ended.

Included are:

Extension of the Hill-Burton Hospital Construction program for five years with an annual authorization of \$210 million a year.

Extension of the Public Health Service Act authorizing \$30 million annually for construction of health research facilities.

Continuation of federal aid to states where federal installations have caused heavy population influxes.

Passage of a \$1.9 billion "anti-recessionary" housing bill.

Allotment of \$2.2 billion for interstate highway construction.

Authorization for more than \$1.5 billion for military construction.

Also the President released \$100 million for urban renewal programs.

### CREDIT & FINANCE

The new equity-type small business banking system created by Congress this past session is set up to work this way:

Under the Small Business Investment Act, any 10 or more people can invest \$150,000 or more and receive up to \$300,000 from the Small Business Administration, in order to create a corporation empowered to supply capital on a risk basis to small business and industrial enterprises.

The new plan minimizes the usu-

al federal loan or subsidy program, with local organization and local capital required to put the companies into operation.

Banks can invest up to one per cent of their combined capital and surplus in the common stock of a Small Business Investment company. In other areas of finance, investors' rates are moving upward as credit demands become more apparent. States and municipalities are finding a good market for tax exempt bonds.

### DISTRIBUTION

Evidence of a healthier stride in business shows up in the Federal Reserve Board's report that department store sales in August were 48 per cent above the 1947-49 average, a record level. Seasonally adjusted figures also show nearly a three per cent gain for August, 1958, over August, 1957.

Nationwide, the cumulative retail sales since January are closing in on last year's level, now trailing by one per cent instead of the three per cent of a few months ago.

Furthermore, the Bureau of Labor Statistics reports only 0.6 per cent rise in department store prices for the 12-month period to July, 1958.

Food and drug sales, until recently, have been propping up over-all retail figures. They still are holding above 1957 records, but other lines, including some appliances, are pulling up, too.



# Chamber of Commerce of the United States

## FOREIGN TRADE

Although the Trade Agreements Extension Act of 1958 extends the President's authority to reduce U.S. tariffs for a period of four years—the longest in the history of the program—new provisions of the Act are potentially more restrictive than ever before.

Now Congress can override a Presidential dissent from recommendations of the Tariff Commission for relief to domestic industries injured by imports.

This year, also, the national security clause has been broadened to equate national security with the general economic welfare and directs that such things as substantial unemployment in an industry must be considered in connection with its plea for a higher tariff.

Perhaps the main benefit to be had from this Act is the increase in negotiating authority.

As a basis for discussion of trade problems with other countries, this is especially important in view of the emerging European Common Market which promises real competition in traditional U. S. markets not only in Europe but other areas of the world.

## GOVERNMENT SPENDING

As analyses are developed revealing the impact of the last session of Congress on federal spending, the extent of the damage done to the fiscal condition of the national government becomes clearer. The actions of the second session of the Eighty-fifth Congress had an adverse budgetary impact of about \$5 billion.

Here are some of the things it did against the best fiscal advice of the President, and the approximate added cost:

Adoption of emergency housing legislation, \$1.9 billion.

Failure to adopt adequate postal rates, \$231 million.

Approximate cost to general fund to supplement highway trust fund for highway construction, \$800 million.

Additional tax benefits, \$690 million.

Increased social security costs, \$200 million.

Additional cost for military and civilian pay increases, \$980 million,

including costs for the retroactive feature of legislation.

School grants for impacted areas, \$300 million.

Atomic Energy construction, \$190 million.

Subsidies for superliner construction, \$100 million.

## LABOR

Legislation to deal with racketeering and corruption in unions is being hotly debated in a number of contests for House and Senate seats, insuring that it will be a top issue for both parties in the next Congress.

Washington insiders are saying that it will be just as tough to get legislation next year as last if the present signs pointing to a more liberal or pro-labor Congress prove to be right.

Unions are expected to have the political power to beat handily any purely corrective legislation. Further, they now have the political power to force a compromise that makes genuine concessions to them—either by penalties on employers generally, or by the lifting of present restrictions on compulsory union memberships and similar power devices, or by both.

Thus, the key fact remains the same—union political power. For this reason, the signs presently indicate another all-out struggle in Congress.

## NATURAL RESOURCES

Hope for continued congressional control over federal spending for natural resources development was strengthened in the closing days of the Eighty-fifth Congress with the amendment of important bills to require annual review of appropriations instead of "blank check" treasury financing.

Proposed legislation for revenue bonds to finance a Columbia River Development Corporation will face stiff opposition when the Eighty-sixth Congress convenes next January. Some members of Congress regard the issuance of revenue bonds as a method of escaping Congressional scrutiny of federal spending programs.

Tentative dates for regional hearings on the proposed legislation

have been set for December by the Senate Public Works Committee.

Congress' apparent readiness to clamp down on nonappropriation procedures will not affect regular public works programs of Army Engineers and the Bureau of Reclamation which are on an annual basis.

## TAXATION

The fiscal deficit which the nation must face for several years need not be a reason for delaying an overhaul of the revenue laws.

It may, indeed, be an excellent reason for such an overhaul, as experience in the Federal Republic of Germany shows.

In Germany income tax rates which, after the war, ranged as high as 95 per cent have been lowered to 45 per cent for corporations and a maximum of about 50 per cent for individuals.

The wisdom of this policy of reasonable rates and adequate investment incentives is borne out by the recovery and expansion of the German economy.

From 1954 to 1957 gross national product in Germany increased on an average of 25 per cent per year. Our own increase has been limited to approximately 6 2/3 per cent per year.

## TRANSPORTATION

Confidence in the future of the overseas passenger business by surface vessel is reflected in the placing in service of new ships by American-flag lines. The industry reports record bookings.

Grace Lines plans to put *Santa Paula* into service in the Caribbean area. She is a sister ship to the *Santa Rosa* which made her maiden voyage in June. Moore-McCormack Lines' new *Brasil* made her first run to South America last month. A companion vessel, *Argentina*, will begin regular service in December.

New vessels planned for the future include a sister ship to the *United States* and a Pacific superliner for American President Lines.

All this activity marks 1958 as the highest in many years for new passenger vessel acquisition; it contributes to the level of economic activity; and it is the industry's answer to block obsolescence.



## UNFAIR TAX

continued from page 41

of course, is that ownership in equities is a protection against inflation. This is true of nonincome producing property, such as a house. If a house is bought at \$10,000 with a \$9,000 mortgage and a \$1,000 equity, and the price level doubles, the house may be worth \$20,000, the mortgage will still be worth \$9,000, but the original \$1,000 equity becomes an \$11,000 equity.

The story can be quite different in income-producing properties subject to income taxes where depreciation must be allowed for. When depreciation is calculated in terms of original rather than in terms of current replacement cost, inflation hits the real income behind stocks, as it hits the value of bonds. If inflation is serious and adjustment is not made to allow for changes in replacement costs, investment through stock ownership, too, will be curtailed, as it was in Europe, once this fact was really appreciated.

It is beginning to be appreciated in this country today.

One of the reasons investors remained willing to put money into expansion of capacity for so many years after World War II was the fact that they did not realize that they would lose a good portion of their investment as a result of the depreciation of the dollar.

Actually, following previous wars prices tended to decline. Many investors were, therefore, not prepared for the inflation which ate into the real value of their assets so sharply after 1945. But now many are be-

coming gun-shy and want a return which will protect them against further depreciation as well as yield a fair return on the real value of the investment at the time it was made.

This inflation threat to new investment is coming at a particularly unfortunate time because the rapid amortization credit is running out. One of the reasons industry has been able to continue to invest in new plant and equipment this long, despite the heavy cost of inflation, has been the fact that the rapid amortization program created a depreciation deduction which reached more than \$2 billion a year in 1955 and 1956. This cut the \$6 billion loss to \$4 billion. But this year the figure will drop below \$1 billion. It will disappear entirely after 1959 and becomes a drain which will exceed \$1 billion per year five years from now.

The Treasury argues that no adjustment should be made for inflation in calculating depreciation because other investors besides those owning stock in corporations are hit by inflation, and no relief is given them. The Treasury can point out, for instance, that bondholders, including holders of federal bonds, have lost more than 40 per cent of the real value of the bonds which they bought during World War II. The owners of these bonds are not being recompensed for their loss. Why should stockholders be favored?

One important fact, of course, is that if stockholders are not permitted to receive an adequate return, they will not continue to invest. The bondholder has already put in his money and has taken his loss. The stockholder, however, has the option of plowing back earnings or not. Un-

less Treasury practices permit an adequate yield to the stockholder in real terms, his incentive for reinvesting what revenues the company does produce, or for attracting new investors, is sharply reduced.

The simplest way of accomplishing this would be to allow replacement costs to be calculated on a current cost basis. This should be no more difficult than adjusting wage rates by the cost of living index. This is the method France uses.

Other countries use different devices. For instance, the United Kingdom adds 25 per cent to normal depreciation rates and allows, in addition, an initial write-off of 30 per cent of the cost of equipment and 15 per cent of the cost of structures.

Holland uses the accelerated depreciation approach. It allows one third of the cost of a new facility to be written off at a fast rate and the remaining two thirds to use the normal depreciation allowance.

West Germany permits a 62 per cent recovery in the first three years of the life of a 10-year asset, and a 51 per cent recovery in three years for a 15-year asset.

Canada allows a 54 per cent write-off for most kinds of productive equipment in the first three years.

There are many ways of approaching the problem. What particular method to use is not as important as a recognition of the fact that depreciation must, in effect, be reported in the same dollars in which income is reported if investment is not to be hampered. If inflation is stopped, this problem disappears. But, until inflation is stopped, this problem must be faced or growth is in danger.

—ROBINSON NEWCOMB

## How depreciation law cuts profits

In 1958 a group of companies has sales of \$1.5 billion. After paying costs, including \$40 million for depreciation, the before-tax profit is \$165 million. Taxes take \$75 million, leaving \$90 million after-tax profit.

In 1968, with inflation at two per cent a year, the same volume of business will bring \$1.83 billion income. Replacement costs will have grown to \$49

million but only \$40 million may be charged off. Profits are reported as \$201 million and the companies pay \$97 million in taxes. After-tax profits appear to be \$104 million. Of this the companies must use \$9 million to meet depreciation costs. Actual profits are \$95 million in inflated dollars or \$78 million in 1958 dollars.

(Shown in millions of dollars) (Annual rate of inflation—2 per cent)

Year	DEPRECIATION			PROFITS BEFORE TAXES		TAXES		PROFITS AFTER TAXES			
	Allowed in current dollars	Real* in current dollars	Sales per year in current dollars	Calculated in current dollars	Real* in 1958 dollars	Calculated in current dollars	Real* in 1958 dollars	Calculated in current dollars	Real* in current dollars	Real* in 1958 dollars	Real* 1958 = 100
1958	\$40	\$40	\$1,500	\$165	\$165	\$75	\$75	\$90	\$90	\$90	100
1963	\$40	\$44	\$1,655	\$182	\$161	\$86	\$78	\$96	\$92	\$83	92
1968	\$40	\$49	\$1,830	\$201	\$157	\$97	\$80	\$104	\$95	\$78	87

\*After allowing for true replacement costs in current dollars.



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# Backdoor spending dodges Congress' control

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if present appropriations loophole is not closed



"With the public debt transaction, agencies go ahead year after year taking money out of the Treasury with no accounting."

—Rep. Clarence Cannon, Missouri



"These transactions tend to perpetuate programs that might not stand the test of congressional scrutiny."

—Sen. Francis Case, South Dakota

PROSPECTS for continuing federal deficits in the years ahead give new urgency to efforts to control a legislative device which gained increasing popularity in the Eighty-fifth Congress. Unless controlled this device can be used to:

Push the national debt—now about \$278 billion—to \$400 billion.

Free additional federal agencies from either congressional approval or review of their spending programs.

Increase the federal deficit, thus adding to inflation pressure.

The device, known as the "public debt transaction," authorizes a government agency to borrow from the U. S. Treasury rather than depend on congressional appropriations.

Congress already has authorized government agencies to spend nearly \$150 billion by this means. Currently federal agencies owe the Treasury almost \$22 billion, have authority to borrow another \$25 billion.

Theoretically these borrowed sums must be paid back. So far, however, Congress has cancelled \$16 billion of the debt.

In some cases, to meet the loan requests, the Treasury has to borrow money at a higher rate than it receives from the agencies. The Rural Electrification Administration, for example, can borrow from the Treasury at two per cent. In the past several years the Treasury has had to pay four per cent for long-term money.

By conventional appropriation procedure, Congress first enacts a bill setting up a framework for a particular program. Later, in a second bill, it appropriates



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## SPENDING

continued

### Lending programs often depend on Treasury loans

the money to finance the program. This second bill clears through the appropriations committees of the House and Senate. Weighing each program against all other programs and against the general fiscal outlook for the years ahead, the appropriations committees generally take a more critical view of the various programs than do the committees which originated them. If the program is a continuing one, the appropriations committees also review the progress each year.

The public debt transaction eliminates all review—original and annual—by the appropriations committees. The initial authorization bill setting up the program gives the agency involved authority to "spend from public debt receipts" by borrowing the money directly from the Treasury. It need make no accounting to Congress until it needs additional borrowing authority.

The justification for this device is that it usually involves a government lending program. Since the money paid out by the Treasury will be repaid some day, the argument goes, it is sounder to have the agency borrow than have the money appropriated outright.

But Congress does not use this device for all lending programs.

On the other hand, Congress has used it for programs where there is a general understanding that some or all of the money borrowed will not be repaid. For example, the Commodity Credit Corporation operates the farm price support program almost exclusively on borrowed money.

This organization is involved in buying surplus agricultural products and reselling them. This is tacitly recognized as a subsidy—rather than a loan—program and is unlikely to be conducted without loss. Congress several times has had to cancel some of CCC's debt.

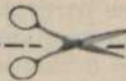
More recently the device has been used for programs usually financed by appropriations with the frank intention of by-passing the annual review by the appropriations committees.

"Experience shows," says New



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## Some congressmen object violently to spending without appropriation

York Republican Rep. William E. Miller, "that every agency would like to be freed from the close control and supervision (exercised by the appropriations committees). In recent years the borrowing device has evolved as the agencies' most sought-after method to gain freedom from appropriations controls."

According to Senator A. Willis Robertson, Virginia Democrat, the Senate Banking Committee, of which he is a member, early this year reported out bills calling for more than \$9 billion of outlays not subject to Appropriations Committee review.

Several of the borrowing bills slid through the Eighty-fifth Congress on the wave of antirecession fever that dominated the early months of the session. An emergency housing bill became law authorizing housing agencies to spend an additional \$1.9 billion through Treasury borrowing and other devices free from Appropriations Committee control.

A \$2 billion increase in the Export-Import Bank's lending authority used the borrowing route. The Senate passed borrowing authority for \$1 billion of loans for community facilities; \$250 million in loans and grants to areas of chronic unemployment; \$250 million of long-term loans and equity investments in small business, and \$350 million of subsidies for the mining industry.

After the housing and Export-Import Bank bills became law, House members began to feel mounting concern over the device. They demanded changes. The Rules Committee forced the Banking Committee to change from borrowing to appropriations for the community facilities loans. The House Appropriations Committee forced the Interior Committee to switch over to appropriations for the minerals bill. Then the House itself killed both bills.

The House Banking Committee also was forced to switch over to appropriations for the small business investment bill and the depressed areas bill. In both cases the Senate was forced to accept the switch. A second big housing bill involving more than \$1 billion ultimately died on the House floor when backers narrowly missed a two-thirds mar-

gin needed for passage under the parliamentary procedure governing the bill.

So violent, in fact, was the House awakening to what was happening that Rules Committee Chairman Howard Smith, Democrat of Virginia, moved to amend House rules to bar all public debt transactions. His move started late and ran into powerful opposition, but Mr. Smith promises to revive his proposal when Congress returns in January.

"This is a terrible procedure," Mr. Smith declares. "It must be stopped or the deficits will get bigger and bigger."

Senator Robertson warns that if widespread use of this free-spending technique continues, "the Congress will soon find it has lost effective control over a major portion of the government's expenditures," and the national debt could eventually reach \$400 billion.

"Ordinarily," he points out, "there is one vote to authorize an expenditure. Then we stop, look, and listen. We then have another vote to appropriate, and the appropriation is for one year only. Then we get a report, which is evaluated to see whether we should have acted differently in the first place, or whether we should go ahead. Then we take another look at the national debt, to see how much more the country can afford."

House Appropriations Committee Chairman Clarence Cannon, Democrat of Missouri, a bitter critic of the borrowing device, has often referred to his committee as "the saucer in which the hot cup of legislation tea is poured to cool." He explains that authorization bills are frequently passed under stress of some particular event, but that the Appropriations Committee later can take a calmer and more objective look at the true value of the program.

"With the public debt transaction," he said recently, "agencies just go ahead year after year taking money out of the Treasury with no accounting. The result is that we are on the way to spending billions of dollars."

Comptroller General Joseph Campbell who, as head of the General Accounting Office, helps Con-

gress watch out for federal ledger-damain among federal agencies, declared in a letter to Sen. Francis Case, South Dakota Republican:

"We believe that the financing of loan programs through public debt transactions . . . tends to perpetuate programs that might not otherwise stand the test of continued congressional scrutiny."

Answering the argument that this is a legitimate borrowing process and not an appropriation of federal funds, Treasury Secretary Anderson wrote Rep. Vaughan Gary, Virginia Democrat:

"I agree with your opinion that a legislative enactment that permits money to be drawn from the Treasury is an appropriation."

Actually, the public debt transaction is only one device for getting around the appropriations committees. There have been proposals to let government corporations and other agencies sell their bonds directly to the public, instead of to the Treasury, to finance their operations.

Various federal grant programs are set up on such a basis that the federal commitment is automatic and Congress must vote funds if the states desire to participate.

Federal agencies administering the highway and airport building programs and certain other projects have authority to issue contracts up to certain maximum amounts and Congress must okay the appropriations to pay off these contracts. Congress recently authorized various agencies to use, without further congressional check, foreign currencies received from the sale of surplus farm commodities.

The public debt transaction device was born in the depression days, when President Hoover and Congress rushed to set up the Reconstruction Finance Corporation to help revitalize business. To speed operation of the agency, Congress authorized it to raise money by selling its obligations directly to the Secretary of the Treasury, rather than coming back to Congress for an appropriation.

The intent was that any loans made by the RFC would be repaid. By the time RFC closed its books, however, Congress had cancelled \$12.8 billions of the \$26.6 billion RFC had borrowed from the Treasury, most of the loss coming from World War II programs.

The technique spread rapidly. From 1933 to June 30, 1957, for example, the several federal housing agencies borrowed almost \$12 bil-

*(continued on page 56)*



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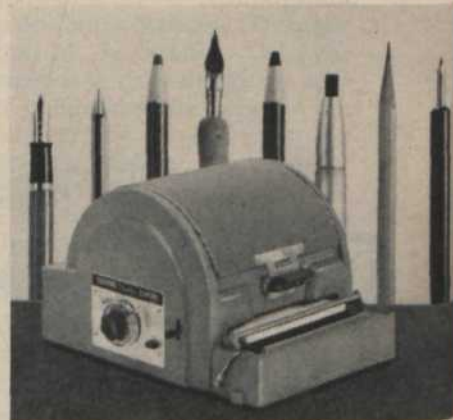
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## SPENDING

continued

lion directly from the Treasury. Only \$3.4 billion of their activities was financed by the usual appropriations process.

Various programs of the St. Lawrence Seaway Development Corp., International Cooperation Administration, Export-Import Bank, U. S. Information Agency, Veterans Administration have also been financed by funds borrowed from the Treasury.

By March, 1957, the House Appropriations Committee pointed out in a report that "a substantial segment" of new authority to obligate the government is insulated from effective annual control by such items as the public debt transaction.

"Unfortunately," the committee continued, "the practice seems to be growing. As it grows, the basis for effective annual determination of expenditure levels shrinks. The Congress cannot continue to place large segments of the budget beyond reach of annual determination without further seriously impairing the practical limits of exercise of effective control of the purse through the traditional means of the appropriation bills."

Some congressmen see a danger that other major federal programs will someday join the list if the practice is not checked soon.

"I would not be at all surprised," says Senator Robertson, "if an attempt is made to finance the entire foreign-aid program by direct borrowing from the Treasury, thus avoiding the risk of having these funds cut by the Appropriations Committee. In fact, there is already precedent for such action. The \$3.7 billion loan to England in 1946 and the \$60 million loan to Spain in 1950 were financed by direct borrowing from the Treasury."

One effort to gain such freedom in the just ended session was the mineral subsidy bill.

All previous versions of mine subsidy legislation have required subsidy payments to come out of regularly appropriated funds. The House Appropriations Committee grew increasingly hostile to the program, and finally insisted on ending the most recent previous version.

This year, the Senate Interior Committee authorized the borrowing of the funds to be used for subsidy payments, despite the fact that there was no way the money would ever be repaid.

Senator Williams, Delaware Re-

publican, sought out the Administration's position.

"This type of financing," said the Treasury Department, "is justifiable only where the program involved contemplates repayment. In this particular case, funds borrowed from the Treasury would be used to make subsidy payments which would not be repaid. In these circumstances, there is no justification for this type of financing, and the Treasury is opposed to it."

Declared the Bureau of the Budget: "The Bureau does not favor the creation of a borrowing authority

for this program, and would strongly recommend that appropriations be used to finance the program."

But the Senate rejected by an overwhelming 54 to 28 vote Senator Williams' move to have the mine program financed on a regular appropriations basis. In the House, results were different. After forcing the House Interior Committee to switch to an appropriations route, the economy-minded representatives killed the entire proposal.

Some observers believe that many votes against the measure were cast because members felt that the Sen-



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ate was trying to use the borrowing approach to appropriate the constitutional prerogative of the House to initiate revenue bills.

The fact that the Senate has been in the forefront in recent efforts to expand the use of the public debt transaction device has led Representative Cannon, among others, to this belief.

"In this session, as usual," Mr. Cannon said, "the Senate has figured out a new device to get around the exclusive prerogative of the House"—the public debt transaction device.

Not all the opposition to the public debt transaction came in the House, however.

In a minority report on the Small Business Investment Act, Republican Senators Capehart of Indiana, Bricker of Ohio, and Bennett of Utah argued that "the proponents of the bill apparently are not confident that the program will stand on its own merits, for the \$250 million is authorized to be borrowed directly from the Treasury Department, by-passing the usual appropriations procedures. Thus the Committee would not have an op-

portunity to review the program and obtain a justification by the agency for the expenditure of these funds. The experimental nature of the program would seem to make a periodic congressional review imperative. This procedure, of course, is at variance with the other Small Business Administration loan programs, which are financed by regular appropriations."

Senator Case of South Dakota, commenting on the same bill, said the SBA would get its money directly from the Treasury for this program, "and from that day forward, the money could be used, and any repayments could be used, by the Small Business Administration. Nothing would suggest that the appropriations committees or the revenue committees of the Congress would ever again have a single word to say about the dollars invested in that way."

The simple and logical solution to the problem is for Congress merely to end the public debt transaction approach and provide that all lending and other activities be carried on by the normal appropriations methods—with Congress getting a double check on each bill and an annual review of the program. This is the recommendation of the Comptroller General, and was the idea behind the resolution that Rules Committee Chairman Smith sponsored late in July.

His proposal would have amended the rules of the House of Representatives.

House Speaker Rayburn, however, has said he believes any differences between the House and Senate should be ironed out without a change in House rules. House Agriculture Committee Chairman Cooley and Banking Committee Chairman Spence, two men whose committees have frequently used the borrowing device, announced their opposition to the proposal by Representative Smith.

Mr. Smith, however, promises to press for action early in the coming session, possibly attempting to include it in new House rules when they come up for adoption at the start of the session or possibly moving it separately later.

If the rules can't be changed, then he and other economy-minded lawmakers promise to fight each public debt transaction as it's brought up in the House. Says Mr. Smith:

"The Senate must be told this is not going to work. We will not let them get around the appropriations process."—CHARLES B. SEIB



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at Lynn, Mass., says that although city police have the initial responsibility for lawful, orderly conduct on picket lines, their duty is not limited to preventing violence.

"A policeman is not discharging his duties when he tells employees who want to cross a picket line that they shouldn't do so because it might create a disturbance," Mr. Repko believes. "A policeman's job is not only to keep the sidewalks from being jammed and to prevent and restrain violence and discourage threats and abusive language, but also to keep the public ways and entrances to a strike-bound plant open and to give fearless and effective assistance to those wanting to get in."

"Police can make it clear that they are not taking sides, but that the city government does intend to protect not only the right of the pickets to use the public ways in their striking, but also the rights of the company and those employees who want to come to work, and the customers and suppliers and public who want to continue doing business with the company, strike or no strike."

Mr. Repko says that under Massachusetts law, and presumably under the law of most other states, picketing is subject to these principles:

1. Assuming their objective is not unlawful, union members have a legal right to picket peacefully for the purpose of publicizing the existence of a dispute, communicating information with respect to it, and persuading others to favor their cause.

2. The employer, on the other hand, has a clear legal right to have free, unobstructed access to his place of business for himself, his nonstriking employees, and his customers.

3. The two rights, the right to picket and the right to have access, do not, if properly exercised, conflict.

4. The proper exercise of those rights is a matter of immediate concern to the public authorities.

5. When picketing is conducted so as to block or materially interfere with free access to the strike-bound business, such picketing is unlawful whether the obstruction is accompanied by:

- a. Serious violence, such as throwing stones;
- b. Lesser violence, such as pushing, shoving, blocking;
- c. Expressed threats of harm to those entering or attempting to enter; or

d. Implied threats resulting from mass picketing or the menacing attitude of the pickets.

6. The police have the obligation to enforce the law and to prevent unlawful picketing so that the rights of all can be exercised without fear.

Labor's interest in local and state officials is not limited to the role they can play in picketing and strike situations, in helping a union win a strike. It extends to administrative and even judicial rulings.

Union officials want a favorable governor, for instance, because of rulings on unemployment compensation and other matters which his administrators make, in addition to the governor's power to use the National Guard in strike situations. The governor, too, can influence state legislation.

Even a coroner may incur the opposition of union officials—as one did—by issuing a verdict that denied workmen's compensation benefits to a worker's survivors.

At the national level, the National Labor Relations Board can under Taft-Hartley discourage violence by making unions compensate workers who suffer from unlawful coercions. That's the view of New York University Law Professor Sylvester Petro in a new booklet, "How NLRB Can Stop Union Violence," published by Labor Policy Association, Washington, D. C.

The practical advantage of being effective politically and of having friends in public office was well illustrated by Vice President Harry Block of the International Union of

## When informed workers vote on strike

UNION VIOLENCE often results when a strike does not have solid support of the employees affected, and some prefer—and try—to go to work rather than strike.

A special effort was made in Schenectady, N.Y., last month to determine whether General Electric Company employees in local 301 of the International Union of Electrical Radio and Machine Workers wanted to strike if national negotiations between GE and the IUE broke down.

Local 301 had scheduled a strike vote, supervised by 32 clergymen.

The Schenectady Chamber of Commerce publicized the importance of the decision to the community and, without taking sides, urged union members to study the facts so that they could vote intelligently. In a full-page newspaper ad just before the balloting, it made a special plea to them to be sure to vote.

Here's what happened:

- Of 10,500 union members, 10,307, or 98.1 per cent, cast valid ballots—an astounding turnout.
- The result: against striking 5,561; for striking, 4,746.

Requiring a secret strike ballot is among legislative proposals supported by many who are seeking effective labor reform in Congress. It was not included in the defeated Kennedy-Ives bill although, as President Eisenhower said, nothing so vitally affects a worker in his employment as the loss of pay when he is called out on strike.

"In such an important decision," the President has told Congress, "he should have an opportunity to express his free choice by secret ballot held under government auspices."





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ZENITH'S TRADE-MARK in classified telephone directories ties in dealers with Zenith's advertising, helps them capitalize on the well-known Zenith name.

## UNION VIOLENCE

*continued*

Electrical, Radio and Machine Workers. He urged union convention delegates to support the IEU's political action program, as a matter of "bread and butter."

Mr. Block made these points:

—After the union helped elect Gov. George M. Leader in Pennsylvania, he refused to send state troopers into the union's strike against Westinghouse.

—When the company refused to go along with the governor's plan for a settlement, the State Department of Labor declared the strike a lock-out, thus entitling the strikers to between \$5 million and \$6 million in unemployment compensation benefits. Said Mr. Block:

"These are the actions of friendly administrators."

—The Department of Labor's decision was upset in the courts "because our political action didn't go far enough . . . and elect proper judges."

—When the Westinghouse workers were on strike, the relief laws were changed for the strikers; actions of police were controlled.

—State Senate committees sent into Sharon, Pa., were accompanied by CIO representatives to make sure that all action taken in the Commonwealth's name was proper.

"All of this," Mr. Block said, "would not have been possible in Pennsylvania had we not elected a friendly governor and a friendly Lower House." **END**

The first order of business in the next Congress should be the passage of labor reform legislation with enough teeth in it to run the goons, gangsters and racketeers out of the labor movement. The defeated Kennedy-Ives bill was merely a slap on the wrist for union labor racketeers and goons. Even that mild treatment of the nauseating abuses in some sectors of organized labor was accompanied in the bill by proposed amendments to the Taft-Hartley law that were highly objectionable to business.

William A. McDonnell, President  
*Chamber of Commerce of the United States*



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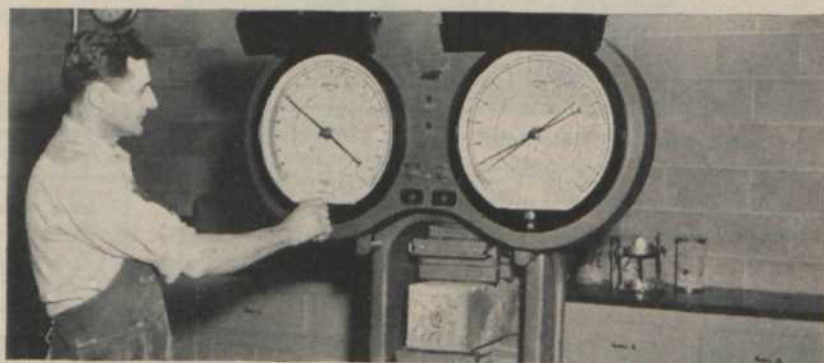


NEW-TYPE

# Concrete

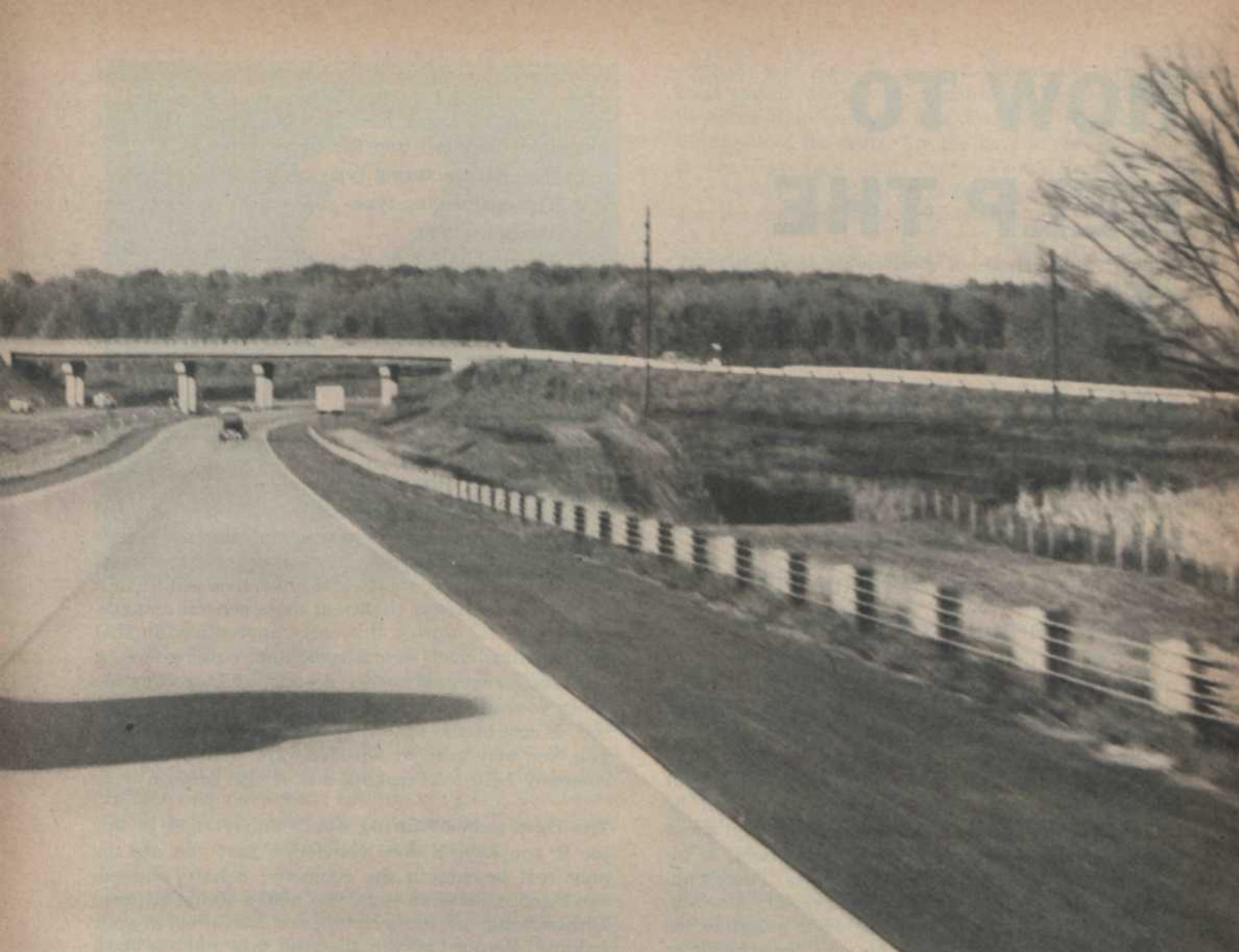


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# HOW TO HELP THE ONE-TRACK EXECUTIVE

Here's a 6-step plan of  
action for making rigid  
managers more flexible

ONE OF THE TOUGHEST PROBLEMS for the top manager is dealing with an important member of the management team who is too rigid.

This rigid man won't see anybody's viewpoint but his own, and often resents any suggestion that he should change. Much has been written and said about the fellow who resists change because of habit or insecurity, and longs for the good old days. There's another type of rigid man in management, however, who's rigid for different reasons. He's inflexible because he's overly oriented to his own department or specialty.

Within his specialty, such as accounting, engineering, sales, or manufacturing, he may actually be progressive. His problem—and management's problem—is that he can't see anything but his own special division as having any real importance in the business. This makes him not only difficult to do business with—but impossible to promote.

For his own, and the company's good, management needs to do something to break down his rigidity. Six ways of doing this have proved helpful when properly used:

- ▶ Job rotation.
- ▶ Coaching and counseling.
- ▶ Civic and community activities.
- ▶ Management courses.
- ▶ Psychological counseling.
- ▶ Surrounding him.

Rigid people weren't born that way. To some extent, the specialized nature of modern jobs forces people to adopt habit patterns that become rigid. Like automobile drivers who are perfect gentlemen when afoot but turn into raging maniacs at the wheel, the rigid men are often affable fellows outside the job.

Although the psychologists warn us against stereo-

typing everyone we meet, it's not too dangerous and is sometimes helpful to have some general guides to recognizing the rigid men in management. In most companies they fall into five major types.

1. The manufacturing type.
2. The engineering type.
3. The sales type.
4. The accounting-financial type.
5. The staff type.

Not everyone in these areas is the rigid type, of course, but it is easy to recognize those who are. It is even easy to overemphasize rigid behavior in the other fellow.

Everyone in manufacturing knows how rigid the controller is; and the sales people know how rigid manufacturing people can be.

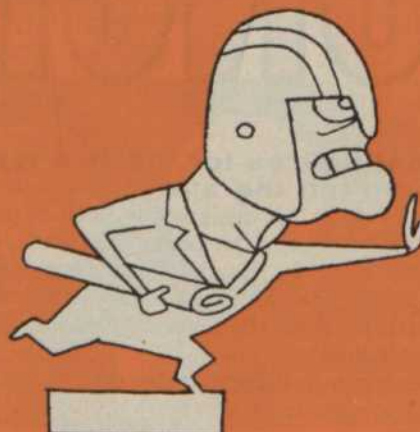
It's tougher to face up to your own rigidity. Behaving in a certain way consistently is often a logical response to the situation in which a smart man finds himself in the company. Most successful managers start out in some specialty and prove their mettle in it before being given a chance at more general management jobs. It's during this early apprenticeship that the rigidities creep in and sometimes never go away.

If you sometimes wonder if you may be getting too set in your ways you might run a quiet check on yourself. If one of the following descriptions seems to fit you, you may want to consider ways, with or without company help, of breaking out of the pattern.

**The rigid manufacturing boss.** You're rigid in this job if you have a deep conviction that you are the only real he-man in the company; a hairy-chested, two-fisted, masculine type who makes things happen. Presses bang, machines clatter, and men sweat at your bidding. Because of you the stuff goes out the back door, and all's right with the world because you are manly and tough.

Naturally, everyone not in manufacturing is a little bit befuddled. They don't get action. They fiddle

Rigid manufacturing boss—



thinks only in action terms



Rigid man—



own viewpoint is all he sees

around with nice words and pieces of paper. You hit the ball, get action, crash through to the goal. Occasionally you discover you are correcting the same things over and over again, but that's because of some incompetent people the personnel department sent you. What's needed is harder drive, more demand for results; take no excuses, cut through delay. Your worst insult is to call somebody "impractical." *You're rigid if you can only think in terms of action.*

**The rigid engineer.** You're the possessor of a wonderful instrument called the engineering mind which has a monopoly on logic. You combine the knowledge of the scientist, the mathematician, chemist or physicist with the ability to turn this logic into beautiful and practical objects. This engineering mind sees every subject more clearly, and defines the essence more succinctly than anyone who doesn't possess it. You can't stand anything but facts . . . you are made ill by people who play politics, talk glibly, verbalize too freely, turning the business into a wind tunnel of hot air. Things and facts can be counted on. People and verbal abstractions can't, so it's best to go it by yourself, then you can be sure it's done right. You are underrated by your employer (who is living off your brain), by your wife, and by society generally. *You're rigid if you stress things and ignore people.*

**The rigid salesman.** People don't really understand you. They think you are a huckster, an extrovert, back-slapper. Yours is really a creative job which is based upon the solid human instinct of wanting money.

You know that the dollar is the lubricant that makes the wheels turn. Being a hot salesman makes you free of discipline and company rules. Salesmanship is the basis of our civilization. Under this plan everyone is either a customer or a salesman. If you are the customer, you can rough up people such as waiters, other salesmen, hotel managers, and taxi drivers and patch their wounds with a buck, because

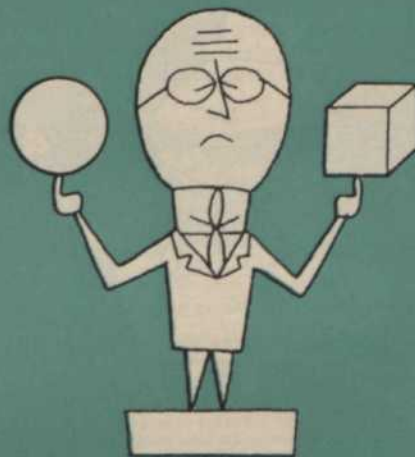
anybody will jump for a price. Buyers are entitled to treat you the same way, of course. Things will always be better than they are now, and pep, drive and the discipline of the dollar are the keys to success, which is what everyone really wants. You'd crawl a mile over broken bottles to get a fat order. *You're rigid if you see satisfaction only in money.*

**The rigid cost accountant.** Every day you lay out on sheets of paper the essence of the business, and control it by changing figures in the columns. You sit at the eye of the storm, the nerve center of the company, and watch for signs that mean the ship is about to founder. You issue memos or whisper words to the captain and he issues the commands you have suggested which save the ship. The others only think they are the key men with their wild rushing and frantic activity. You are the hourly savior of the business; you police trickling little losses that would turn into torrents if you weren't there. As the master scorekeeper and conservator you must be cold, passionless, without emotion. You can't afford to be loved because you might let a little leak turn into a big drain if you were ruled by your emotions. Yours is a higher responsibility, and your manner and dress should reflect this weighty burden. Your pleasures are simple as with all men whose every decision is a weighty one. *You're rigid if you see business as only figures.*

**The rigid staff type.** You don't make anything, or sell it, but you are master of something which is vitally more necessary to the preservation of the business—it's called a procedure. A procedure implements a sacrosanct guide called a policy, which is never subject to question. Life in the office is to you one of great frustration in which people who don't follow procedures cause you endless work and trouble. You tell them about procedures but they persist in doing things in their own foolish, individual way.

You are pressed by numerous competing forces, the hostility of line people, the demands of top manage-

Rigid engineer—



stresses things, not people



ment to which you have no recourse, and the frustration of never really completing a task because people in the line ignore procedures. The solution, you know, will come when you can devise more procedures which will prevent further lapses from policies and procedures not now being followed. *You're rigid if you think a business is no more than a set of procedures.*

### Corrective action

To break people of rigidities is a job of enlarging people. They've got to become generalists instead of specialists.

This provides us with the key to breaking people out of the rigidities which they build into their behavior on certain jobs.

1. *Job rotation.* One way of breaking a man out of a rigid attitude is to let him see the other fellow's viewpoint firsthand by putting him in that fellow's position. The manufacturing man who faces adamant customers as a salesman gets a good look at what marketing really means. The controller who spends some time in the plant finds out why certain extraordinary expenses are often required. The staff man who came to the position from a line job is often a better man than the fellow who has held nothing but a home office job. The salesman who does a tour of duty in manufacturing learns some of the problems of making the orders he has been bringing in for rush delivery. The engineer who follows through his design to manufacture goes back to the drawing board as a better engineer.

2. *Coaching and counseling.* Because job rotation is sometimes impossible and often too expensive, a more practical method of breaking people out of their mold is to hold regular coaching sessions with them. These are talks on "How'm I doing?" between the boss and his subordinate which deal with some of the subordinate's acts and behavior which indicate rigidity and lack of appreciation for other departments' problems.

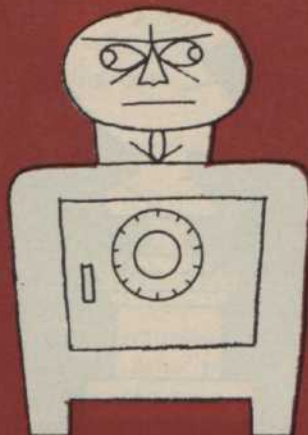
Such coaching can be on a planned and formal

### Rigid salesman—



sees satisfaction just in money

### Rigid cost accountant—



sees business simply as figures

basis, and is best supplemented by frequent, informal chats on a day-to-day basis. If the boss is a generalist himself his warmth and humanity may shine through and be imitated.

3. *Civic and community activities.* Sending executives out to work on community activities is an excellent way of giving them some broadening, and seeing that the formula for success they have adopted on the job isn't the only way things get done in the world. The manufacturing man who heads up a volunteer campaign for funds shortly discovers that persuasion and diplomacy are arts which have their place, too. He will come back a bigger and better man for it. Letting executives serve on boards of community associations is a good way of accomplishing the same goal.

4. *Management courses and seminars.* Sending people away to general management courses and seminars is a widely tried and proven way of helping a rigid man see himself in his true light. Placed in a strange situation where everybody is a big wheel like himself, he may discover that the tried and true attitudes he has used are not necessarily the only ones or even the best ones. Where such courses entail free-wheeling discussion he may discover that he has to examine his own attitudes and methods of handling problems if he is to convince others. This is good for creating flexibility.

5. *Psychological counseling.* Occasionally a top man just doesn't respond to any of these treatments and may be rigid because of some deep-seated attitudes dating back to childhood. It's wisest at this point to try to get professional assistance. If the company has a staff psychologist, the problem might be explained to him, and a series of meetings for counseling arranged.

The principal purpose here is to have the psychologist help the executive to see several basic facts:

- ▶ He has certain attitudes affecting his job performance which are damaging his future and are affecting company operations.
- ▶ That only he can make the necessary changes in



his attitude which will result in more human behavior.

The psychologist often is able to give the man greater insight into his own behavior, and help him to program a change in his work behavior.

6. *Surround him.* Some companies and certain executives won't stand still for psychological counseling for a variety of reasons.

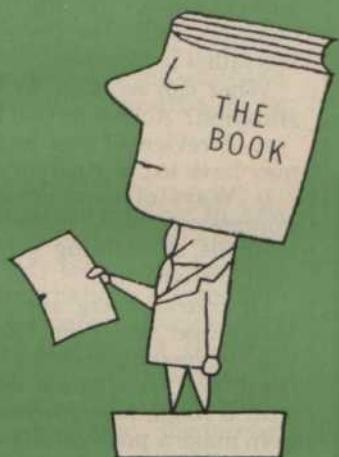
Under these circumstances many companies organize around the man so that his special skills and abilities can be used effectively, while his disruptive habits are ameliorated by people who act as his assistants or colleagues.

In one large company, for example, a noted scientist in top management was constantly disrupting the operations of the lab through his arrogance and inflexibility.

Top management assigned an administrative assistant to handle his housekeeping chores, and to deal with customers, accountants, manufacturing people, and others. Not only did the assistant learn a lot, but the man himself was relieved to perform his specialty.

The top manufacturing man who is inflexible may

Rigid staff type—



thinks procedure is everything

require bolstering with clerks, administrative assistants, or understudies who protect the organization from the disruptions growing out of his inflexibility.

In an age when the specialist is more and more in demand, we find more and more companies taking conscious steps to offset some of the bad effects of specialist behavior that becomes overspecialized. The need isn't to eliminate specialization, but to get the specialists who have become rigid to bend to the needs of the whole enterprise.—GEORGE S. ODIORNE

**REPRINTS** of "How to Help the One-track Executive" may be obtained for 10 cents a copy or \$6.75 per 100 postpaid from Nation's Business, 1615 H St., N.W., Washington 6, D. C. Please enclose remittance with order.

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**WORK WITH BOSS**

*continued from page 35*

The pressures on  
your boss must be  
considered, too

thinking too big, or of a supersensitive boss, the antidote is the same. It's up to the subordinate to ease off sufficiently to remove the element of threat.

Of course, if the threat actually exists, that's something else. The subordinate—as well as his boss—must face up to the realities, and the ethics of the situation, and act accordingly. This may mean a no-holds-barred battle, or some intermediate solution in which the subordinate is helped to view his advancement possibilities with less of the head-hunting impulse.

"My boss doesn't think much of my abilities." Regardless of the objective quality of the abilities in question, somehow the subordinate has failed to impress.

What can be done to reverse the situation? Action in two directions:

- a. A review of past incidents that may have led to such an evaluation.
- b. Ways of eliminating negative impressions and, more important, methods of building a more favorable evaluation.

Of course, there are many other loggerhead situations. But in addition to healing specific ailing relations, you have other ways to deal with a tough-boss problem that can help make a poor situation good and an impossible one both bearable and constructive.

**2. Down-pressure differentiation**

The top man—your boss—is also subject to pressures, even if he is president. He feels it from a board of directors or from the ownership of the company. As a result of the stresses under which he operates, he tends to be a person of several minds. Intelligent subordinates can choose among the multiplicity of a superior's interests, and develop constructive contacts along the lines of greatest mutual compatibility. For example:

The vice president of a textile machinery firm wanted to get the president to approve a plan to expand one division of the company. Expansion talk just didn't seem to make much sense in terms of sales prospects. But the production executive knew that



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a group on the company's board was actively interested in looking for new markets. He was able to put his suggestion in the context of building up the capacity of a department that could be the spearhead in a drive for export business, which would provide that new market.

### 3. Ask for the tools

In some cases, it's been found that the core of an executive's problem with his boss is simply that the superior expects a particular set of results without being willing to provide the means for his subordinate to achieve the expected performance.

In other words, the superior says, "Here's what you'll do," without completing the plan by adding, "And here's what I'll do."

Specifically, the difficulties may show up in terms like these:

"I'm supposed to keep my people informed. But nobody tells me!"

"The boss needles me on output, but refuses to discuss maintenance schedules, or machine replacement schedules."

The more insistent a superior becomes for a given result, the more justification there is for a realistic discussion with him of the ways and means by which the result is to be achieved.

### 4. Selective contact

"My boss is unreceptive to new ideas," one executive says. Another complains, "My boss is too demanding." The explanations for poor relationships, as we've already seen, may range all over the lot. But they are based on the unsound assumption that the superior, unlike other people, is a monolithic, one-faceted individual.

Often a single outstanding quality is given as the cause of the friction. But, like any other oversimplification, it hides useful facts. Every person, looked at objectively, has weak and strong points, attractive and unattractive features.

"My boss," an engineering executive reveals in confidence, "is unimaginative. Half the ideas he turns down are wasted simply because he lacks the imagination to understand what I'm talking about."

But if he is right in his assessment, he ought to know the answer to his problem. Instead of taxing his boss's imagination, he ought to convey his ideas in an area where his boss functions well, perhaps that of literalness. Instead of presenting his idea with a thumbnail sketch and minutes of enraptured prose, he can get further with detailed drawings and a step-by-step description of what he has

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## WORK WITH BOSS

*continued*

in mind. Some people resist the idea of dealing with the boss in his strong areas because it seems to suggest "playing up to him."

The issue is one of intent. Selective contact, talking to one's superior in the language he best understands, is the only way to facilitate the busi-

ness at hand. It is not a seeking of special privilege or hypocritical self-ingratiation for personal advantage.

The principle of selective contact applies in other areas. Suppose the boss is obviously annoyed by a subordinate's preoccupation with attempts to improve work methods. The latter cuts down his efforts in that field and turns his attention to backing up his superior's attempts to work out better cost reporting. By

scoring successes in this latter area, he may eventually achieve the breakthroughs that make for better understanding and working relations.

**REPRINTS** of "Learn to Work with Your Boss" may be obtained for 15 cents a copy or \$10.15 per 100 post-paid from Nation's Business, 1615 H Street N.W., Washington 6, D. C. Please enclose remittance with order.

## RATE YOURSELF: *How good are your boss relations?*

Answer all questions as accurately as possible. You'll find scoring directions below.

1. A fellow executive tells you, "I have the impression that your boss has been giving you the back of his hand lately." If you felt the statement were true, which response would most likely be yours—

a. Reply, "I've got it coming. I've been slipping a bit lately."

b. Resent your boss for putting you in an unfavorable light.

c. Say, "Now it's my turn. Wait and see what I'm cooking up for him!"

d. Say, "Yes, he's been on edge. I'm doing what I can to take some of the load off his back."

2. A fellow executive makes the same remarks as above, but this time, you feel the statement is not true. Would you—

a. Tell your colleague he was mistaken, and forget about it.

b. Tell your colleague he was mistaken, but ask him what gave him that impression.

c. Brood.

d. Get angry at your colleague.

3. Your boss has just pulled off a coup that you admire. Would you—

a. Tell him how you felt, to the exact measure of your admiration.

b. Envy him, and secretly resolve to match his feat.

c. Feel that his accomplishment was in the line of his duty, and that anyway, an expression of approval from you would be apple polishing.

d. Study what he'd done so that you might be able to do likewise.

4. You and another executive are candidates for promotion. Your boss picks the other man. Which reaction most closely resembles the one you'd probably have:

a. You start hating your boss.

b. You forget it.

c. You look for another job.

d. You think it may be time to start job hunting, but feel it's important to get your boss's evaluation of you that led to his choice.

5. Your boss just isn't giving you the time you feel you need for full and effective communication with him. Accordingly, your move is to—

a. Try to get along as best you can without the additional contacts.

b. You put him on notice, by means of a formal memo, that by his lowering of the mahogany curtain, he's impeding your progress.

c. Decide to take up the matter with him in an informal discussion.

d. Explore the possibilities of getting the information you need from others in the organization.

6. You know that part of your function is to transmit information upward. You learn something about a fellow-executive's personal life that is fairly shocking: he's living in sin, or he plays the horses, for example. Your move, under the circumstances, is to—

a. Keep quiet.

b. Tell your boss all you know, to strengthen personal bonds with him.

c. Tell your boss, without mentioning the executive's name.

d. Tell the boss just enough to let him see you're in the know.

7. This is a really tough one. Let's say you learn something shocking about your superior's personal life: he beats his wife, or drinks like crazy, for example. Your move is to—

a. Tell your colleagues, but swear them to secrecy first.

b. Tell your boss you know about his failing, and offer to help.

c. Tell your boss you know, and imply that any favors thrown your way will keep you just that much more quiet about his weakness.

d. Say nothing, and really sympathize with the Chief.

8. You've done a swell job on a special assignment. Your superior gives a brief nod of approval where you expected prolonged applause. What would you do:

a. Smile wryly to yourself and think, "C'est la guerre."

b. Assure yourself that that's the last time you'll be made a sucker.

c. Realize that his nod equals another's shouts of approval.

d. Let him know that you have some appreciation coming by fishing for compliments, stressing the outstanding job you've done.

### Scoring

As you've probably gathered, the basis for this test lies in the kind of reactions you have to your boss. If you are frank and forthright with him, if you see his side of situations, you'll rate high.

Here's how to score yourself. Give yourself 10 points for each question in which you've selected a preferred answer. Note that for some questions, any one of several alternatives gives you a full score:

- |             |          |
|-------------|----------|
| 1. a, d.    | 5. c.    |
| 2. a, b, d. | 6. a.    |
| 3. a, d.    | 7. d.    |
| 4. d.       | 8. a, c. |

Now, rate yourself according to the scale below:

70-80 You're an expert at the art and science of boss relations.

50-60 You probably have had a few troubles in the past, and should work a little harder at improving the relationship.

Below 40 Acting to improve your boss relations along the lines suggested by this article is practically an emergency matter. **END**



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# WHY MANAGERS CHANGE JOBS & WHEN

## Study points up ways to hold restless men

### Leading causes of job restlessness among executives

Desire for more income  
Ambitious wife  
Job dissatisfaction  
Lack of mental stimulus  
Stymied career growth  
Seniority blocking path  
General slowing down  
Poor planning by company  
Appeal of another firm  
Personality clashes

EVERY YEAR thousands of businesses are the victims of what has been euphemistically termed "executive mobility." That's polite English for "Good-by, I'm quitting."

If not recognized—and acted upon—this phenomenon can lead to staggering losses in money, time and energy. One conservative estimate places the number of middle and upper management executives who change jobs annually at from 75,000 to 100,000, exclusive of intracompany promotions.

An increasing number of companies are coming alive to the problem of restlessness among their managers—and are doing something about it. Their efforts will be aided by the findings of a new study of the job-changing habits of 1,886 executives. The study was conducted by Hoff, Canny, Bowen & Associates, Inc., a New York firm specializing in executive recruitment and placement.

It pinpoints, among other things:

- ▶ Who the restless executives are.
- ▶ Why they are restless.
- ▶ What the company can do about it.

A major finding of the study is that more than half of the executive population between 35 and 45 years of age wants to move.

Generally speaking, job restlessness is most pronounced among men in the middle management ranks. Generally these men are in their early middle years, the time of life when, psychologists advise, you can begin to notice symptoms of "career menopause."

The symptoms include a marked change in the way an executive regards himself, his capabilities, his present job, his future possibilities. It's a time of psychological commotion and intense self-assessment. It often is characterized by a reaching out for more responsibility.

As Mr. Edwin T. Ashman, of Hoff, Canny, Bowen, & Associates, points out, "the executive in his early to mid-forties realizes that he really doesn't have much time left in his career; thus he may become impatient with the realization that 'if I don't make my move to better things now I may never get the chance again.'"

"Forty to 45 is the turning point in a man's career. When he gets past this age bracket, he doesn't find moving as attractive. His roots



are down, his wife is involved in the local PTA, and his fringe benefits encircle him like a vise. He's settled."

Obviously management cannot hope to eradicate completely the incidence of job-switching. In fact, some management authorities hold that moderate shortages of executive talent—either as a result of quits or inadequate supply—are indications that the organization is healthy and growing. Companies that are standing still seldom suffer shortages of manpower.

Nevertheless, a high rate of mobility among a company's most talented executives is not a condition to be encouraged. How well you control it depends to a large extent on the kind of personnel policies you have.

In many companies, skilled middle managers have become what one management authority, Dr. Nathaniel Stewart, calls "the forgotten, neglected men of business and industry." If you cut these men off from policy background, communication, management participation, authority and decisions, Dr. Stewart says, you shouldn't be surprised if the result is mediocre performance, defection to other companies, or creation of a residual bitterness in the managers themselves.

In facing up to the fact that men pass through a period of job restlessness, these steps are advised:

Keep a careful inventory of your available executive manpower, not only in the top echelons, but in middle and lower management as well.

Keep the middle manager's ambitions in mind. Talk to him frequently, discussing his potential for advancement.

Keep a manager's deficiencies, as well as strong points, in focus. If a middle management leader needs additional training to ready him for greater responsibility, make sure that he gets it. Just as the com-

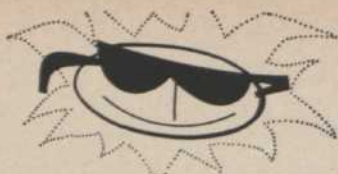
**Executive mobility varies** in different job categories. Table below shows percentage wanting to move, by ages. Color blocks indicate peak moving years

OCCUPATION	AGE -29	AGE 30-35	AGE 36-40	AGE 41-45	AGE 46-50	AGE 51-55	AGE 56-
<i>General Managers</i>	0	6	17	29	27	16	5
<i>Engineers</i>	5	23	26	25	13	7	1
<i>Marketing Mgrs.</i>	3	23	28	19	15	9	3
<i>National Sales Mgrs.</i>	0	15	32	26	20	6	1
<i>Controllers</i>	3	15	28	29	16	9	0
<i>Industrial Relations</i>	2	14	19	36	19	7	2
<i>Average</i>	1	15	25	27	20	9	3



PHOTO BY JOHN BURWELL





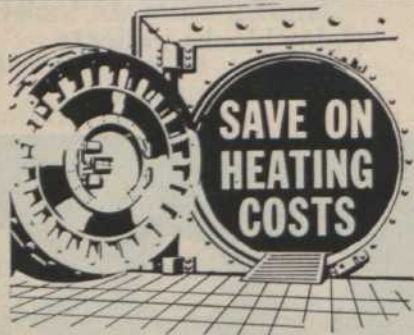
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## WHY MANAGERS CHANGE JOBS & WHEN

*continued*

pany needs to be alert to the problems of executive mobility, so should executives themselves understand the advantages and hazards of the restless years. "A man experiencing the restlessness of early middle age sometimes rushes into a new job with inadequate consideration of its consequences," Mr. Ashman warns.

"He may bite off more than he can chew—take on a job which places demands on his resources that he is emotionally and physically unprepared to assume. That's why we urge objective self-appraisal in advance of the decision to move. It's a rudimentary precaution, much like examining your finances before buying a new house."

Some executives steering a course through their critical middle years have benefited by seeking the advice and counsel of outside authorities, such as psychologists. However, much depends on the individual.

"I would hesitate to recommend such a procedure as a blanket 'must' for everyone," Mr. Ashman asserts, "but in the hands of a competent psychologist career guidance can often prove valuable."

What triggers the urge to move?

This question defies a pat, all-encompassing answer. The experience of Hoff, Canny, Bowen & Associates, Inc., indicates that a number of factors contribute to executive movement—in addition to the inherent restlessness of early middle age.

Money—the desire for more of it—is a key motive.

Other reasons fall into this order:

- ▶ Ambitious wife.
- ▶ Job dissatisfaction.
- ▶ Lack of intellectual stimulus.
- ▶ Feeling that career growth is stymied.
- ▶ Seeing little opportunity for advancement because of seniority.
- ▶ Slowing down after several years of progress.
- ▶ Lack of organizational planning by the company.
- ▶ Desire to move to a larger organization or a smaller one.
- ▶ Personality clashes.

Included in the HCB study were executives in the fields of general management, engineering, marketing, sales, finance and industrial relations. The study covered the period from March, 1954, to March, 1958 and was conducted for HCB by Dorothy Gregg, consulting economist and former member of the economics faculty of Columbia University.

Interesting variations were discerned in the occupational patterns within the general over-all picture:

*General managers* show significantly less than average mobility before age 40 and a little more than average mobility from 41 to 45. They show significantly more than average mobility from 46 to 55 years of age and over. The position of general manager is one of the highest rungs on the executive ladder in terms of important decision-making. A man usually does not become a general manager until he is in his forties and thus has not accumulated the necessary experience to be in a good bargaining position, or in demand, until the mid-forties or fifties. Here maturity is a valuable asset.

*Engineers* show significantly more than average mobility before age



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## WHY MANAGERS CHANGE JOBS & WHEN continued

36. They display average mobility from 36 to 45 years and less than average mobility from 46 years on.

The big companies compete strenuously for engineers from the time of their graduation. There has been more pirating in this field than in any other. Thus, the opportunities are great for the young engineer. Also, technological and scientific development have been greater in engineering than in any other field except physics. Thus there are more facets for young engineers to explore.

The young engineers like to explore many avenues of engineering in order to choose, finally, the one for which they have the greatest talent and aptitude. Intellectual curiosity, plus greater opportunity, create a state of rapid mobility under age 35. Recent conditions have also put an emphasis on new products and new technological developments which stem from engineering.

The older men in engineering are less eager to move. They are set in their jobs. Also, many of them have lost touch with the latest developments in their own engineering specialties. Thus, they fear the competition of the young engineering graduates with up-to-date knowledge of the latest techniques, theories, and innovations.

Marketing executives show significantly more than average mobility from 30 to 40, less than average mobility from 41 to 50 and average mobility from then on.

Marketing is a highly creative profession and the peak creative period for most men comes in the thirties. In these years a marketing man is full of ideas and vitality and is more of a gambler than at any other time in his life. Like most creative people, he is always seeking recognition and is impatient for success, and for his brain children to emerge full grown.

At 30 to 40, the marketing man is perhaps more eager than executives in other professions. He lives at a faster business pace and is much more eager for development and more sensitive to the wearing pressures of restraint and frustration.

Also, the marketing man often develops more rapidly socially and early becomes accustomed to the better things of life through an expense account. This artificially higher standard of living drives him to seek a higher position with more salary, fringe benefits and status.

Mr. Ashman tells of a 35-year-old account executive of an advertising agency who developed a brilliant campaign idea while trying to win one of the larger advertising clients. Before the prospective client could reach a decision, the account executive was a nervous wreck and in a fit of despair was ready to chuck the whole thing. If he had been 45, he would have faced this ordeal with more of a sense of balance and humor.

From age 41 to 50 the marketing man has found a spot where he can develop his knowledge and mastery of all the intricacies of his trade. He has also settled down to the serious business of making the lasting business contacts which are a fundamental part of his success in marketing. If he moves after age 50, it is to the top spot in a good organization.

Sales managers show average mobility from 30 to 35 years of age and considerably more than average mobility from 36 to 40. From 41 to 50, the mobility is average. After 51, it is less than average.

The salesman is also a man who constantly jockeys for position. It is essential for him to build up contacts and following wherever he can



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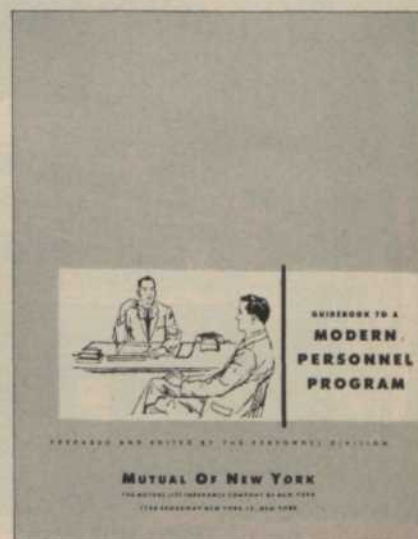
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## WHY MANAGERS CHANGE JOBS & WHEN

*continued*

do so. It is this which enables him to move to achieve even more recognition. Companies are more inclined to raid bright sales personnel with promising performance records than any other group, except the engineering-scientific group. Thus, salesmen under the age of 40 have more opportunities to move.

*Controllers* show more than average mobility before age 30. They show average mobility from 30 to 45 and less than average from 46 to 50. They reach the average again from 51 to 55. After that, mobility declines.

It is the exceptional financial man who is a controller before the age of 30 and he is subjected to tempting offers from competitors. In his later years, the controller who is really good has become an officer of his company or has attained a powerful policy-making position.

*Industrial relations executives* show average mobility in the early years and considerably more than average mobility from 36 to 45. From the age of 46 on, they show average mobility.

An industrial relations executive usually has not achieved a fully rounded mastery of his trade until the age of 36 to 45. During this period he reaches the peak of his technical grasp of his subject matter.

The industrial relations executive is also close enough to the personnel policies of the corporation to realize the significance of the corporate bias against hiring new men over the age of 45, and some of the objective reasons for this prejudice. He realizes that, if he is going to move, now is the time to do it.

While these occupational variations are interesting, the most important over-all fact is that, despite such differences, the peak moving period is from 41 to 45 years of age. The similarities converge at this point.

The executive mobility research discloses that today's executive makes a later start in his career than did his father or grandfather. Twenty to 25 years ago, men did not move much after they were 38. By that time, most men had established their life's work.

Today's later moving peak grows out of several factors. One is the disruption of careers caused by World War II and the continuing cold war. Another is the great rise in productivity and national income in the past two decades, which makes it easier for executives to pull up stakes and relocate.

Moreover, there are more challenges today—more horizons to explore, more problems to solve.

The psychological motivation of keeping up with the Joneses also plays a part. People tend to be influenced by the upward career movements of their friends and neighbors.

"The restlessness spreads like a contagious disease."

Improved transportation has also spurred the mobility of executives as has the decentralization of industry. Recent years have seen major shifts of large plants to smaller communities—and with each movement whole armies of executives have been uprooted.

Also tending to accentuate executive restlessness in the years around 40 is what HCB calls "industry's hiring-age bias." Most employers automatically specify that they want a man under 45 or 50 and preferably around 40, not simply because of "the American infatuation with youth" but because of the increased cost of pension plans, retirement programs, etc., for the older "new hires."

"Actuarially speaking," Mr. Ashman says, "the man of 40 today has



## A COLLEGE EDUCATION DOES NOT MAKE AN EDUCATED MAN



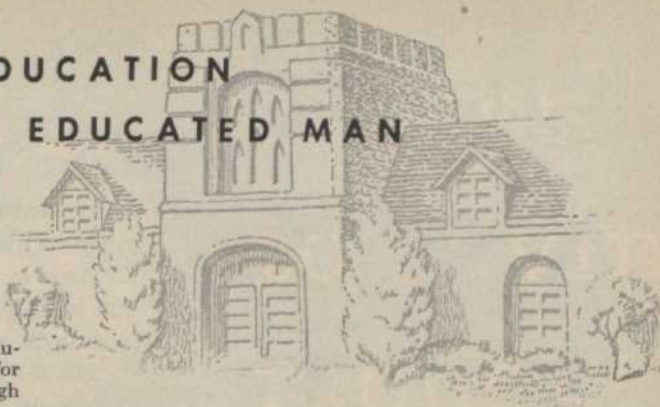
A message from Mortimer J. Adler, Ph.D.  
Director for the Institute of Philosophical Research

"The greatest mistake anyone can make about liberal education is to suppose that it can be acquired, once and for all, in the course of one's youth and by passing through school and college.

"This is what schoolboys do not know and, perhaps, cannot be expected to understand while they are still in school. They can be pardoned the illusion that, as they approach the moment of graduation, they are finishing their education. But no intelligent adult is subject to this illusion for long, once his formal schooling is completed.

"He soon learns how little he knows and knows how much he has to learn. He soon comes to understand that if his education were finished with school, he, too, would be finished, so far as mental growth or maturity of understanding and judgment are concerned.

"With the years he realizes how very slowly any human being grows in wisdom. With this realization he recognizes that the reason why schooling cannot make young people wise is also the reason why it cannot complete their education. The fullness of time is required for both."



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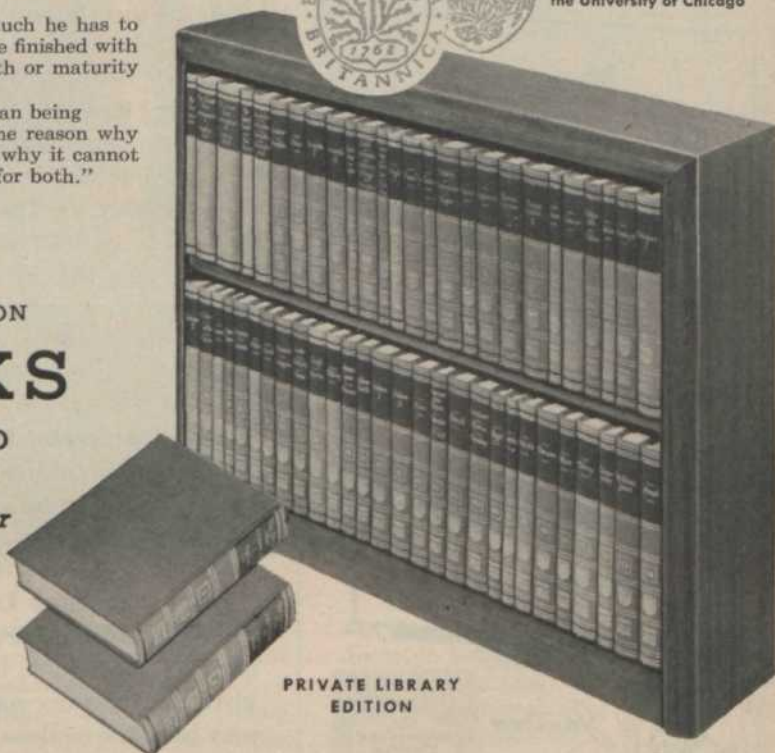


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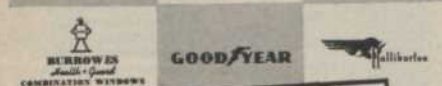
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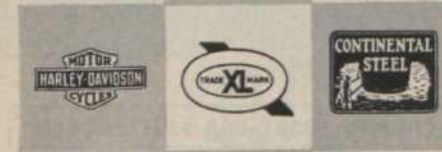
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## WHY MANAGERS CHANGE JOBS & WHEN

*continued*

many healthy, vigorous years left. He is physically and mentally a lot younger than the man of 40 in 1910. Today's man of 40 graduated at 22 years of age, got his MA at 24, spent three or four years in service and was discharged at the age of 28. So, at 40, he is still quite young in outlook and experience.

"His father started to work at 22, if not before. By the time he was 40 he had 18 years of business experience. In this respect, a man of 40 today is 10 to 15 years younger than his father was at 40."

What about younger men? Those in their twenties and thirties?

Experience and study indicate that few men are decided on career goals in their twenties. Other things—marriage, starting a family, education, military service—tend to divert the average man in his twenties from any really serious career planning.

By 30, however, such planning begins. The thirties, according to HCB, are years for growth—for attaining skill in one's chosen work. For all practical purposes, this intensive growth and self-development terminates at 40. Then the average man feels that he has learned what there is to be learned about his job. Working from a base of self-confidence, he asks, "Where do I go from here?" Forty to 45 is the period of achievement and of maximum productivity, a period which generally lasts until about age 55.

Let's go back to the three-step program of action outlined earlier:

### 1. Keep a careful inventory of your executive manpower

Companies frequently fail to include the personnel factor in their long-range plans for physical growth. It is useful, when planning future introduction of new products, plant expansion, distribution changes or other elements, to draw parallel plans for key people.

Some companies keep detailed charts on which they structure their present and future organization by filling in the names of men who will be ready two, three or five years from now. This kind of preparation gives the company something specific to discuss with an executive who may be in the restless period.

### 2. Keep the manager's ambitions in mind

"It is the unspoken fear of the 40-year-olds who have not arrived," says Mr. Ashman, "that they will be checkmated."

This fear of being beaten out in the race for promotion by a well qualified associate must be evaluated in terms of the equipment of the average 40-year-old.

Most men at this point know the ropes. If they have ambition it will come to a boiling point. To be checkmated could mean a repression of drive, the choking back of ideas—frustration.

The problem of checkmating is pointed up by mobility studies in other quarters.

Gardner W. Heidrick, a principal of Heidrick & Struggles, Inc., Chicago executive recruiting firm, says opportunity for advancement depends to a considerable extent on the size of the organization for which the manager works.

"In a large company," he explains, "there are likely to be many competent men with top management potential in the 38 to 46 range. They can't all become president, and if those who recognize this fact are willing to accept it because of loyalty to the company and their associates—and satisfaction with their present position—all





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## WHY MANAGERS CHANGE JOBS & WHEN

*continued*

will be well. But if these men are not satisfied with the outlook and do not feel bound by ties of loyalty, executive restlessness is likely to occur."

Mr. Heidrick says the crisis can be forestalled in many cases if companies do some career planning of their own. "They can," he says, "offer interests and challenges to their executives that are deep and broad. They can make their executives feel wanted and important to the over-all management team. They can make a man actually feel the team couldn't get along without him were he to leave for another job. Finally, they can provide executive rotation programs, which reduce the danger of stagnation in a single job."

A good rule of thumb is to maintain yourself, and encourage your subordinate managers to maintain, a close contact with the career aspirations of executives in your organization. Remember that the 40-year-old is likely to be more restless than the 30-year-old. Counsel with him from time to time. Let him know what you think of his work, how he can do it better, how he fits into your future plans.

Warning: Don't create fancy titles or positions with little or no responsibility change and expect these to soothe the restless middle manager. Such steps will only intensify frustrations and dissatisfactions.

### 3. Check weak points, provide training opportunities

In the coaching or counseling process it is important to strive for a constant sharpening of an executive's skills.

Executive development courses, on and off the job, are a popular and efficient method for improving skill.

The courses also serve another useful purpose.

"Some companies," Mr. Ashman points out, "realize the cyclical restlessness of 40-year-olds and set out to bolster a man's ego and status by sending him to seminars and management courses. Some executives have refused attractive job offers with the comment, 'I don't want to move now, because I have a future with the company. Why, they're sending me to a seminar.'"

It should be noted, however, that attendance at such programs sometimes has the inadvertent effect of putting an executive in touch with a new job in a new company. Through the free and easy exchange of ideas, know-how and intercompany information at such courses a man may find out that Company B has a pretty good way of getting things done. He might make a few sly inquiries to see if Company B would like to hire him away from Company A.

This danger, however, is a relatively minor one when weighed against the greater gains to be had through training programs. You will never, by any degree of effort, be able to reduce mobility to absolute zero. Nor should you try.

As the HCB report emphasizes: "The American free enterprise system is based upon the assumption of a free flow of raw materials, manpower, and finished products in response to the competitive biddings in a free market place. If American executives move in search of greater psychic, social and financial satisfaction, they are merely responding to the spirit of a free capitalist economy. Artificial restraints against this freedom run counter to the basic principles of a free capitalist economy. If a company wishes to retain able executives, it must be willing and ready to meet the biddings of a competitive labor market where outstanding executive talent is always scarce." END



## SOFT SPOT

continued from page 39

### Education needs lie in the more general field

yes-manism in its most pernicious form.

**Still, we have come a long way from the Nineteenth Century concept of the executive—the man who was law and cracked the whip.**

We have come some way from that, but I would have said that was in the form of consultation. I am sure your wise company president today will take the opinions of many executives and then make the decision. But there is a big difference between that and letting the group make the decision.

#### **Is poor communication a serious business problem?**

To my mind, one of the greatest communication dangers is overspecialized education.

If people are to understand the firm's policy and if the different sections are to understand each other's problems, which is, I take it, the major problem of communication, they need a more general education at a lower level than many now get.

This question of self-expression, and especially of putting your views in nontechnical words, demands a good general education before you start. I am rather uncertain as to whether people are getting a general education in that sort of thing. They end up by speaking a jargon of their own—the jargon of the engineers; the jargon of the accountants; the jargon of finance. They haven't the education which allows them to make their problems understood by the people who talk other jargons. That seems to me to be a real breakdown in communication.

I should like to see a more general education at the lower level and a more liberal education at the higher level. You may think I am prejudiced because I am a teacher by trade. A teacher specializes in explaining things, and you can't explain what you don't understand. But a lot of people do understand and still can't explain. I think that is an educational defect.

**Executives frequently complain that they are starved for time. Do**



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## BUSINESS SOFT SPOT *continued*

### Complaints of overwork may reflect on personal or on organizational efficiency

#### you believe that these complaints are well founded?

My own theory is that work expands to fill the time available for its completion. If I might draw an analogy there, we all know that expenditure rises to meet income.

In the same way, work rises to meet the time available. When people complain of overwork, I don't think it means anything at all. I wouldn't draw conclusions from it.

#### Are executives' complaints of excessive pressure unrealistic?

They may be imaginary; they may be real; but the fact that the man makes the complaint proves nothing either way. I think that he may merely be incompetent. He may be merely getting older, which happens to all of us. We become a little less energetic and we may be a little frustrated in various ways. But merely because people say, "I am overworked," I wouldn't know what their burden was. You would have to investigate that by some other method.

If you could check what the actual output of people was, that might produce some unexpected results, especially for these people who complain the most.

#### Some management authorities are emphasizing the need for recognizing management as a professional calling. What are your comments on this concept?

My first difficulty there is in deciding what is a profession. The background in England, which has passed on to the United States, was that certain callings were something a gentleman could do without ceasing to be a gentleman.

You could be in the Church. You could be a lawyer—in England you could be a barrister. You could be an officer in the Army or Navy. A bit later on, you could also be a doctor of medicine. Roughly speaking, you could say that, in the Eighteenth Century, there were five professions and these were associated with a certain social rank. Consequently, they were associated with a certain reputation for professional ethics.

Since that time one group after another has tried to gain the same

level. We have seen this spreading gradually to dentists, accountants and architects—whole ranges of people. Now this was originally a social status. It does carry with it this other idea of observing professional standards, but I think the original notion that trade and professional standing are incompatible is right and that there is some danger in confusing the professional and the business approach.

For one thing, the whole essence of professional remuneration is a fixed scale of fees.

An architect, for example, gets a certain percentage of the token cost of the job. He is not supposed to indulge in speculation on the side in cornering the market in bricks. There are a lot of things he is not supposed to do.

To my mind, business should involve a type of enterprise, a certain elasticity and risk-taking, which is not compatible with the fixed status. I think you strangle it.

#### American business has been criticized for developing a youth cult, of casting men aside after they reach the age of 45 or thereabouts. Do you care to comment on that?

I am sure that there must be a difficulty of this kind and it rather ties up with my own theory that if you haven't gained a position of responsibility by a certain age—it would be worth a bit of research to find out what the age is—you are not fit for it when you get it.

Up to a certain point a man is expecting promotions. He is ready to assume higher responsibility. If you deny him that responsibility for two or three or four years and he simply stays in the same job, he becomes unfit for responsibility after that. He has gone bad. You may feel sorry for him but it is too late.

#### Does this mean that there is a definite life cycle in a career of an executive?

I think there is a life cycle; that frustration sets in after a certain period and then turns into just routine work. Probably his interest has been taken out of the business altogether.

I think there is some reason to



think that you have to promote fairly early if you are going to promote at all.

**Do you see this country developing into a mammoth welfare state in which the government does everything? Will Britain go further along this road?**

There is one big difference between Britain and the United States in this particular respect—and that is the preference of people here for business rather than for public administration. In Britain, for historical reasons, the preference is the other way.

Civil service is the desired end, more for reasons of prestige than salary. At present this is connected with the British tax structure, which is such that the larger emoluments, where they exist on paper, are quite worthless in practice.

Taxation and supertaxation in Britain rise to the top bracket of 19 shillings and 6 pence a pound. That is the highest rate of taxation for the wealthiest man. You haven't much incentive for making any more pounds at that rate. You are only keeping 6 pence out of each one of them.

It is tending that way in your country, too, but again we in Britain are further down the road. It is said now that about 5,000 pounds a year (\$15,000) is the maximum that anyone in Britain has to spend however wealthy he is. That means that ambition beyond that point must center on other things.

In Britain there is a structure of honors. There are the knighthood and various other nonfinancial rewards. These go with preferences to the public service rather than to business. That in itself makes the career a more honorable one because it appears to be more honored. In times past and, I think, at present, the British public service has had probably more than a fair share as compared with business.

So from the British point of view, I think the prospect of state-run industry is a more hopeful one than it would be here because the state itself has attracted more ability than Washington seems to be able to do at the present day.

**Do you believe that the western world will be able, in the long run, to out-administer the totalitarian bloc?**

Administration is not an end in itself. We might do better to ask whether we are producing genius. For it is genius, in the last resort, that we are going to need. **END**



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# GET FULL USE OF IDEAS

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Awareness of the existence of these types can help you derive the fullest potential from new ideas. The seven types are: originator, evaluator, developer, trouble-shooter, distributor, implementer, and reviewer.

One person may have several of these characteristics, but rarely are all seven of them found in one individual. Prof. Morris I. Stein of the University of Chicago says:

"It may well be that one individual is an originator of ideas but a poor methodologist. . . . A second person can elaborate the ideas of others and subject them to experimental test. . . . A third may be proficient in observing the implications of experimental results and in communicating them to others so that

the creative product is brought out for the use of the community at large."

Ideas are generally accorded the respect they deserve, but, unfortunately, our appreciation of the power of ideas hasn't improved our means of applying them.

Experts who have studied the complete process of idea production, from birth of the idea to its application, feel that our methods for follow-through are generally outmoded. They say that idea production in the average company is the most haphazard and wasteful of all management activities.

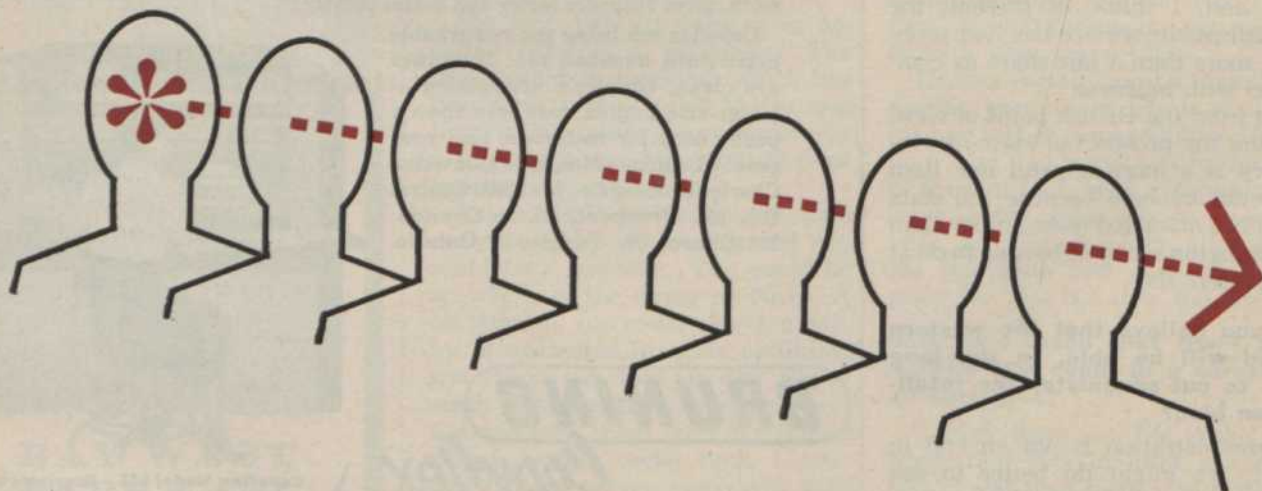
This difficulty in idea production is not a sign that we're a nation of muddleheads. Rather, it points up the complexity and the subtlety involved in the whole realm of idea generation and follow-through.

A systematic approach to the idea exploitation process is not to be found at present. However, observation of the behavior of individuals during all phases of idea production sheds light on how the process can be improved.

**1. Originator.** Many executives consciously or unconsciously measure the consideration they'll give an idea solely by the status or experience of the person who conceives it. But the initial source is unimportant when you make full use of all of the talents of others in the cast.

A creative thought sometimes is hampered in its early stages because the first form in which it appears may be weak and ineffectual. There may be some feelings of doubt as to the usefulness of the idea.

The main thing is that the idea



You can chart course from creativity to action



see the light of day, either by the spoken or the written word.

The habit of many executives to jot down the words that capture an idea so it can't be lost becomes justified when you realize the nature of the later steps that transform a mental glimmering into the brilliant glow of an effective plan.

Remember further that ideas seldom grow in a vacuum. They emerge into our consciousness because we call them.

It is for this reason that a chemist's brainstorm solves a problem in distillation, while a construction engineer suddenly has the solution to a difficult problem of stress.

It doesn't happen the other way around because we free ideas by digging into a problem. The more we examine a problem, the better we understand the nature of the thing that confronts us, the better we prepare our minds for a helpful idea.

**2. Evaluator.** In the formative stage you perform the function of evaluator with your own ideas. At the same time, you certainly fill this role for your subordinates. Either way, it's a critical phase.

A key question must be decided: "Does this idea have promise?"

"No" means the scrap heap.

"Yes," means the idea will get a lease on life.

One complication lies in the way the idea is presented. It may be so poorly delineated in words as to disguise its real worth.

During a problem-solving conference a junior executive of a paper container company suggests that customer complaints be handled centrally in the home office. His hesitant, stumbling presentation makes it easy for a senior executive to take the floor and demand that salesmen in the field continue to handle complaints. The executive leading the conference, if he is a good idea evaluator, will see that the conferees return their consideration to the original idea and not let it be torpedoed because its presentation was poor.

The capable evaluator is the critical link, the idea midwife, whose life-giving actions may take a delicate thought and keep it alive.

More than any other person the evaluator should be flexible, open-minded and burdened with a minimum of assumptions. He must avoid such inhibiting statements as:

"It can't be done that way."

"You must do X if you want to accomplish Y."

"The Board will never go along with that suggestion."

**3. Developer.** This is the person



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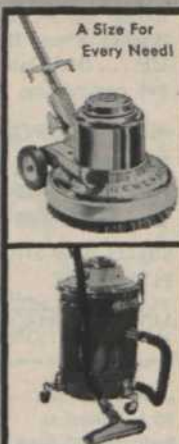
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## GET FULL USE OF IDEAS *continued*

Having an idea isn't enough. It needs these steps to put it into practical use

with the talent to take a somewhat vague concept and expand or contract it to fit recognized needs.

A developing idea may suffer from such things as:

**Scope.** You may need an idea that can give new life to an apathetic employee relations program. A supervisor suggests that improving the service of the company cafeteria may help.

Although the idea is not inappropriate, it isn't of sufficient magnitude to accomplish your objective. But inherent in it is the germ of a larger idea: that a company effort to improve surroundings and working conditions may be a major ingredient for more effective employee relations.

**Incompleteness.** A subordinate tells you, "I have an idea that may break the bottleneck on assembly. Generally, it involves using an expeditor from Production Control. But I haven't been able to figure out the best procedure to set it up."

The developer's talent lies in figuring out that best procedure for the idea.

**Inappropriate timing.** Don't let the phrase, "Good idea, but right now..." sound the death knell to a sound proposal.

A division manager may suggest, "How would it be if we renovated the old warehouse across the street and used it to lick the space stranglehold that's blocking us?"

The company president may turn thumbs down because of a low bank balance.

But that is no reason for the idea to be lost forever. When the cash position has been changed, the idea may be practical.

To develop an idea to the point where it is usable, you may have to add, subtract, modify or combine additional ideas. In such a case your original idea may, in retrospect, become merely a starting point. But the same may be said of flour, milk, eggs and butter—which doesn't prevent them from ending up as a birthday cake.

**4. Trouble-shooter.** The trouble-shooter tries to make sure a partially good suggestion doesn't boomerang because the application of it was not given a critical look.

Here are some methods the trouble-shooter uses for spotting weak points of an idea:

**Rehearse procedure.** One company president, working on an order-processing system, had his people make a walk-through rehearsal of what would happen to an order as it passed through their hands.

**Pick your guinea pigs.** "Try that slogan on my secretary." It's fine if your secretary is part of the audience at which the slogan is aimed.

In testing understandability, customer reaction, or what have you, your most dependable results are the reactions of people who are actually members of the groups you are shooting at.

**Test plan under operating situations.** Otherwise, you will feel like the department store manager whose selling approach wowed his captive audience in the office—but failed to keep the interest of hurried shoppers at the sales counters.

**5. Distributor.** The talents of an idea distributor are not always in demand, but once you have seen how an executive exercises this skill, you realize how important his contribution may be.

"Now that we have that unused office in Building B," a subordinate suggests, "how about using it for weekly meetings?"

"Not too good an idea for us," his boss replies. "The schedules of our men are too irregular. But it's a fine idea for Anderson to use in connection with his quality control cam-

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paign with supervisors. I'll pass it along to him."

Sometimes the value of an idea distributor becomes apparent in reverse. He becomes known in the organization as a repository of ideas. Frequently, he is the oldtimer who remembers all the methods ever devised for licking most of the problems a company may have had.

**6. Implementer.** His function is to transform a fully developed thought into a thing.

The implementer, in a sense, is the idea contractor. He takes the plan contained in the idea, and by his use of men, materials and methods transforms it into a series of actions.

If he does his job well, you end up with a structure that has symmetry, beauty and utility. If he has failed anywhere along the line—if you end up with inadequate equipment, friction between subordinates, or a result that doesn't match up to expectations—the whole works bog down.

The implementer's strong point generally is the knowledge of the facilities available to carry out an idea.

Plans have fallen through because the right people for the job were lacking. The expert implementer knows generally who is capable of what.

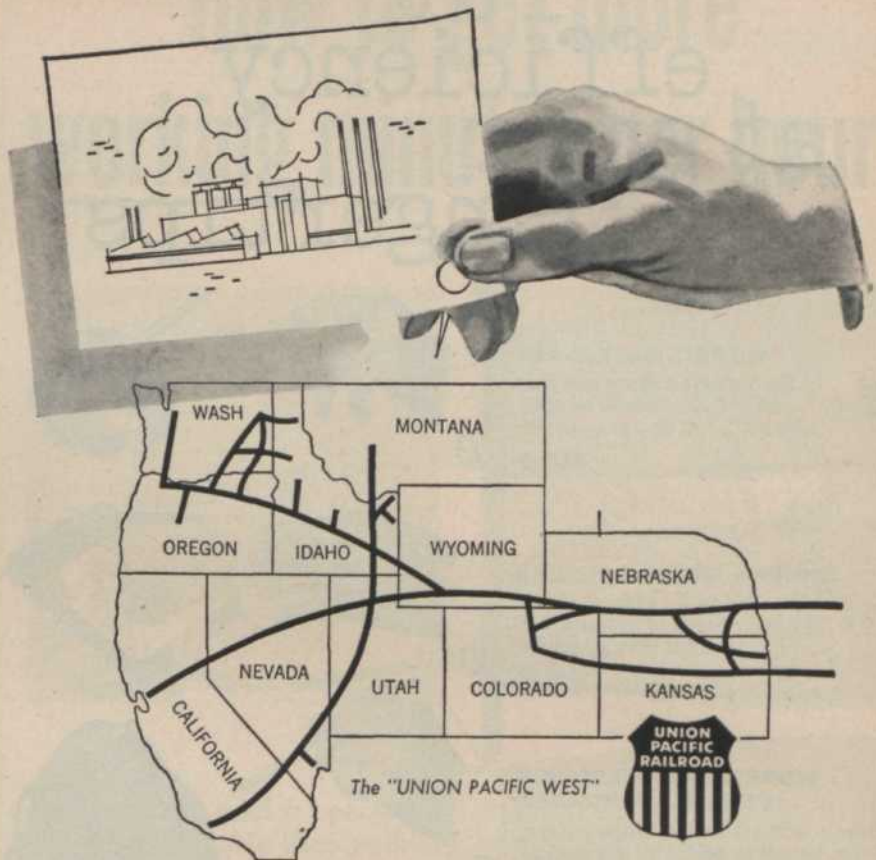
Second, he knows the capability of physical facilities. And his use of them may be far from routine. As a matter of fact, the imagination of the idea implementer frequently comes close to matching the creativity of the idea originator.

**7. Reviewer.** The reviewer controls and checks progress. He keeps in touch with all the details of the implemented plan. He compensates for unanticipated developments, backstops an overburdened or otherwise underequipped employee, and relates all of the changes to the basic purpose of the idea. The reviewer's tools are his personal inspection, progress reports from subordinates, summaries of results.

An important aspect of the idea-producing cast described here is that you, the *executive*, may play one or more roles, but probably not all.

You extend your capabilities, therefore, by consultation and delegation, involving others on the staff whose idea-handling skills may complement your own. —AUREN URIS

**REPRINTS** of "Get Full Use of Ideas" may be obtained for 10 cents a copy or \$6.75 per 100 postpaid from *Nation's Business*, 1615 H St. N. W., Washington 6, D. C. Please enclose remittance with order.



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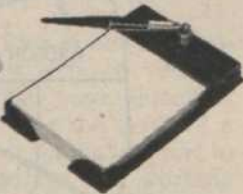
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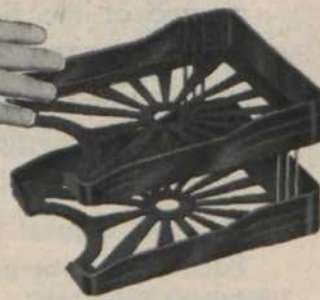
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## FARM SPENDING

continued from page 37

Farm leaders now doubt laws can pare production

further vigorous fights. They will certainly find Congress increasingly reluctant to follow their recommendations without ever closer scrutiny and challenge.

The result will depend to some extent on politics and party discipline. Progress will probably be by ebb and flow, rather than a clear-cut forward push.

Second, the success in reforming legislation this year is due largely to a rather unusual combination of circumstances. The first was that, without some positive action, reduced acreage allotments in cotton and rice, which practically no one wanted, would have been required for 1959. This made some kind of farm bill imperative. Second was the Administration's determination to use the presidential veto to back up the demand for substantive reforms. As a result, much of the debate was narrowed down to provisions that would not risk the veto, rather than merely to what could otherwise win majority approval.

Third, there is no certainty that the easing of cotton, corn and rice planting restrictions (by the minimum allotment provisions for cotton and rice and the possible termination of allotments for corn) will permanently ease the surplus situation.

Minimum price supports are still provided for all three commodities. Only time and experience will tell whether these minimums will permit markets to absorb the output.

Fourth, there is a question of just how much of a victory for freer markets and realistic pricing the lowering of minimum supports for the three commodities may turn out to have been.

The minimum for corn for 1959 and after is 65 per cent of parity, but for cotton the 1959 minimum is 80 per cent, and for both cotton and rice the support minimum is 75 per cent in 1960, 70 per cent in 1961, with the 65 per cent minimum not scheduled until 1962. According to one view, the farm bloc leadership got out of the squeeze this year by making a paper concession on the minimum support rate, but scheduled far enough



ahead so as to give the next Congress time to repair the breach.

In spite of these uncertainties the farm act of 1958 does portend certain trends for the future.

It now seems clear that we are ready to abandon the notion that legislation can effectively pare production by the three per cent to five per cent generally considered to be in excess of demand at relatively satisfactory prices.

Faith in this technique is rapidly waning even among farmers themselves.

This means that future farm legislation will include more provisions leading either directly or indirectly to a gradual retreat from the philosophy of controlled production. Leadership tends increasingly to recognize that future improvement will mainly be of three forms: improvement of farm income by distributing the gross and net income over fewer farms and farm people, giving a larger per capita income; expansion and development of better markets even though this adjustment has real limits; and reduction of the real costs of production by more economical management.

A trend to more realism in prices is evident. Those who followed this year's debates closely generally agree that the 90-per-centers' power to influence legislation ended with this session of Congress. More than that, price parity itself appears to be on the way out as a major device in farm programs.

Parity survived only in part by the concessions that were made to lower percentage of parity in the support minimums.

Here, too, farmers appear to be ahead of lawmakers in recognizing the traps into which price parity has led the farm economy by its overuse as an instrument rather than as an indicator.

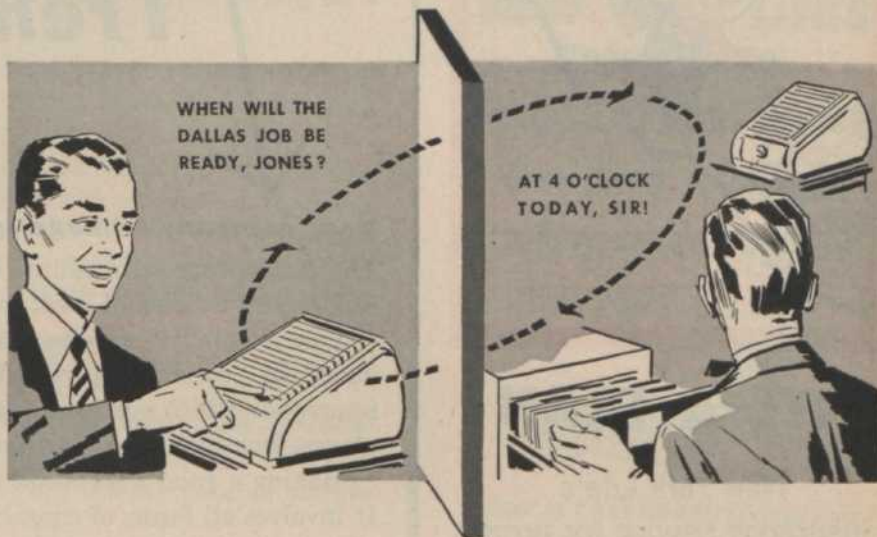
Perhaps the most significant development in this year's farm legislation was the Farm Bureau's introduction and aggressive backing of the proposal to discard parity in price formulas and to substitute a minimum support at 90 per cent of the average of market prices in the most recent three years.

In the final compromise on the bill this suggestion was retained as one of the alternatives to be chosen by corn producers in the December referendum.

But farmers through their chosen leadership have shown clearly that they demand and expect more realistic living with market forces if the farm economy is to be prosperous and free.

END

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## Executive Trends

### **Your company's image: good or bad?**

The future success or failure of your company could turn on how well it sells its idea of itself to its various publics.

This possibility explains rising interest in the so-called corporate image, or "corporate personality." These are terms describing the impression which a company makes on its customers, suppliers, employees, investors—on all groups, individuals with whom it deals.

Making a good impression is a surprisingly complicated process. It involves all forms of contact—from the face which the company displays in its advertising, personnel policies and community relations, to such subtle factors as the color in its product labels, the design of its trade-mark, and the disposition of its receptionist.

► Several major companies have recently reappraised their corporate personalities. They tapped the thinking of their own staff personnel and the talents of outside authorities, including psychologists and industrial designers. One organization—United States Steel—surveyed consumers, found many were unclear on the image the company was trying to get across, promptly made changes in its trade-mark, steelmark and advertising-promotion.

### **Creating the effective image**

Visual symbols, the industrial designers say, are crucial because they express the corporate personality in an unusually vivid, direct and irrevocable way.

To the public, one authority points out, the trade-mark is not an exercise in design. It's an expression of the corporate personality. It's a form of shorthand. It flashes a message to the consumer. If the consumer doesn't get the message, the trade-mark fails in its job and the company is deprived of selling potential.

Industrial designer Eugene J. Casey says that, in broad psychological terms, a company—through its symbols—should strive to present itself as basically "good, active and powerful." He says designing of such symbols as the trade-mark should begin with determination of basic company policy; the use of symbols appropriate to company objectives; distinctiveness in symbols; maintenance of consistency in this system, and constant repetition of symbols.

► "The suitability of a corporation's symbols," Mr. Casey declares, "can be judged by comparing their intellectual, aesthetic and functional aspects with the corporation's avowed objectives." One of the functions of the industrial designer, he says, is to assist in setting up a rational foundation of principles.

### **Which symbols are best?**

This question defies a generalized answer because variables, including age, market position and over-all policy, are necessarily in-



volved. What's good for A might be poison for B. Nevertheless, it can be said that no symbol should be used unless it, 1, is easy to discriminate visually, 2, does not suggest undesirable impressions (such as those now connoted by the swastika), 3, is truly characteristic of the company using it.

For some companies, according to Mr. Casey, a symbol of antiquity or old-fashioned style might do well to sell the quality of their products. For others, the old-fashioned symbol would be a liability.

To insure that symbols used are not obsolete or too narrow in definition (as might happen if a company diversified), constant identity review should be maintained.

► *Designer Walter P. Margulies (Lippincott and Margulies) suggests that formulation of a corporate image should begin with a discussion among key executives from all departments of the company. Once they agree on an ideal image profile this image can then be checked against all corporate visual material. The comparison will show if the material is saying what the company wants said about itself.*

### **New light on employe hostilities**

Dr. Harry Levinson, psychologist with The Menninger Foundation, says some managers are misled in thinking that morale surveys, attitude polls and fringe benefits will smooth over all worker hostilities.

While such techniques do have real value, Dr. Levinson says, they often heighten undischarged hostilities which erupt later in the form of chronic tension in the work group, worker irritability, increased absenteeism, or election of militant union officials.

The reason for this paradox is that questionnaires and polls rarely get to the deep-seated frictions which exist in all work groups. Some of these frictions are uniquely individual and cannot be reflected in a paper-and-pencil questionnaire. Some are not fully understood by the worker himself. Thus, a dissatisfaction which a worker lists on the survey sheet could be a displacement from another, ill-defined hostility.

► *Intelligent action by the industrial psychologist can help to reduce the danger of repressed feelings, Dr. Levinson says. Other steps which he recommends include creation by management of greater opportunities for employees to participate in decisions affecting them, and provision for hostile feelings to be expressed in a permissive atmosphere to men in high authority.*

### **Just cutting costs is not enough**

Subjects under discussion at management conferences are being re-examined in the light of improved business conditions.

Cost-cutting is a good example. During the worst days of the recent recession cost-cutting was extremely popular as a subject of study by businessmen. Now, with business looking up, the interest in cost-cutting is still keen, but a new twist is being added to it—to wit: What can you do to insure that the fat you cut out of a company won't grow back in better times?

At the American Management Association, Inc., a series of guidelines for preventing the return of unnecessary costs is under review.

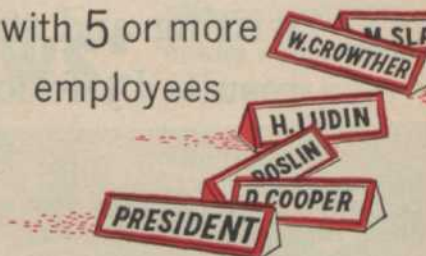
► *Clifford Craft, manager of AMA's Manufacturing Division, says that a management preoccupied with recovery and expansion can, if it lowers its guard, unwittingly invite the return of uneconomic practices. To combat this, he says, all costs should be constantly reviewed, department by department. Cost consciousness as a permanent attitude should be cultivated.*

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# SPEED THOUGHT INTO WORDS

Executives can spend less time writing and still get better results by following this advice

BEFORE YOU TRY to make your writing readable—make sure that it's writable.

If that sounds cryptic, consider that for more than a decade we have been devising techniques, indexes, and formulas to make certain that the reader gets the message. We have advised plain words, short sentences, and a personal and direct approach to the subject.

Everybody has been so interested in reducing the reader's difficulties

that the writer's problems have been all but forgotten. It's about time the communicator got his due.

That is the idea behind writable writing. It's writing that comes easy to the writer—says what he means, makes the impression he wants, and saves his time.

The fact is that businessmen who are efficient at everything else lose many of the gains of their efficiency to poor writing habits. To them leveling their mountainous writing

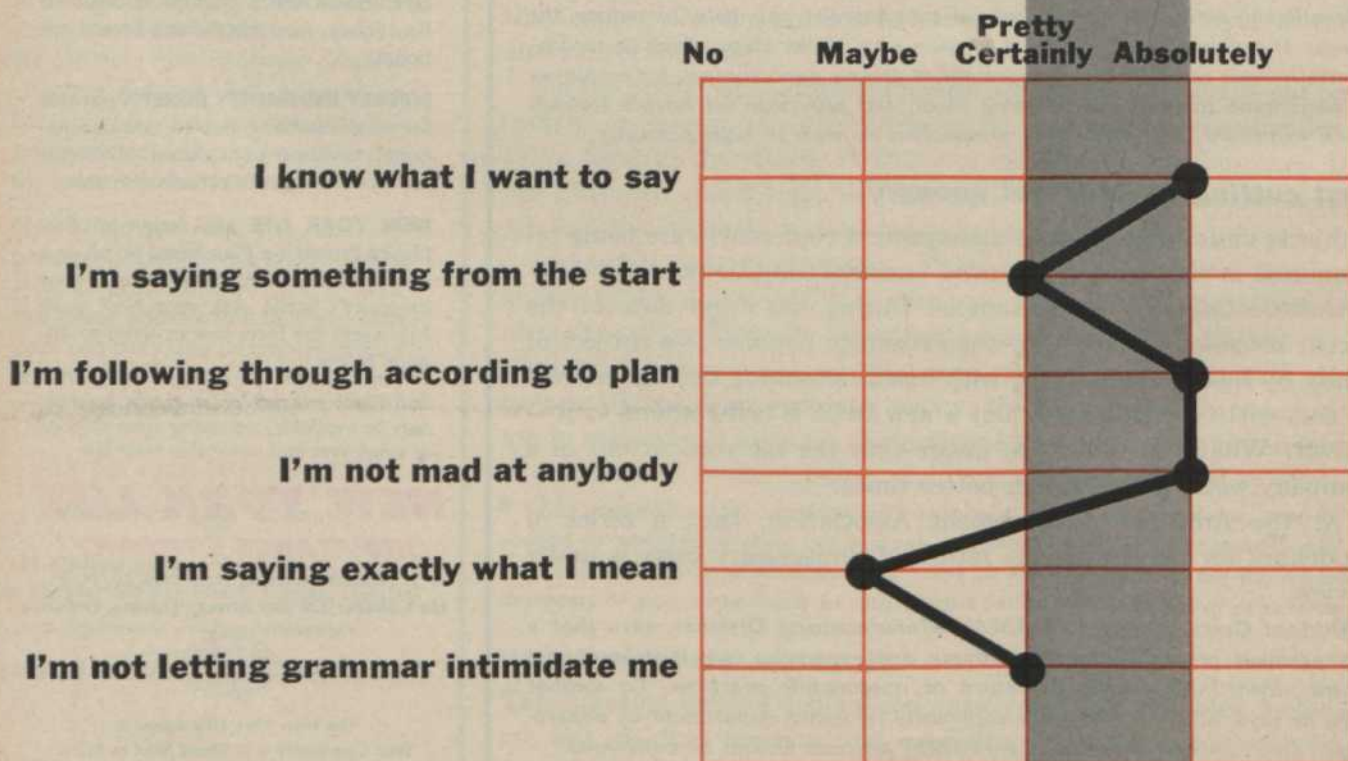
chores with a steam shovel would be a more satisfying accomplishment than spoon-feeding the reader.

Even if a man in business dictates only five average-length letters a day, his annual output of written words reaches 300,000. When you consider that a professional writer is likely to turn out but 150,000 words in the same period, you begin to see the magnitude of the businessman's writing job—this in addition to his so-called regular duties. That's why anything he can do to speed thought into words becomes a tremendous business asset.

Young children take naturally to writing. They are so completely absorbed in what they are doing that they never give a thought to the impression they are making. By the time they reach college they have been so inhibited by the requirements of grammar, and subject matter that many of them find writing a frustrating exercise.

In the office there are further restraints. Mr. A. doesn't like the word "subsequently." Mr. B. says it's wrong to say "I should be glad." Mr. C. says never to write "inconvenience;" it's negative. Is it any wonder that businessmen become self-conscious about their written communications and freeze up when they should be fluent?

For good communication—aim for chart's shaded area





Fifteen years' experience in conducting writing programs in business, government and industry, has shown that the biggest block to writing efficiency is lack of self-confidence. Seemingly, every businessman believes that writing is "English"—something he modestly confesses he wasn't good at in the first place.

The more sensible view is that writing is thinking on paper—something that most businessmen are very good at when they apply to it the same cool judgment they apply to their other business activities.

The advice that follows is intended to help anyone who wants to spend less time in writing, with more confidence and better results.

#### Be ready to write

The biggest mistake you can make is to think you can put effectively on paper what does not exist or is not clear in your own mind. The fastest way to get sense on paper is first to know what you want to say.

*Have a definite aim.* Good communication, like good management, calls for decision. Is it your purpose to give information, get action, build good will? You could have several objectives. Make sure you have at least one.

*Get all the data.* Try letter files, reports, printed company literature, telephone calls, personal observation, or library sources. If there is a point you don't understand, talk it over with a qualified person. Obtain and mark copies of available documents to send with your communication and thus save yourself dictation time.

*Organize your material.* A few jottings will free your mind for the dictation process. Compare with your objective. Throw out the irrelevant. Get more data, if needed, to fill gaps.

#### Dive right in

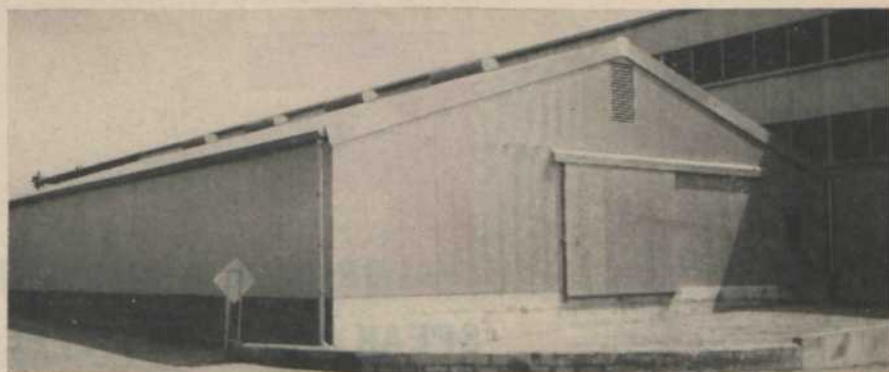
The way to begin is to say something. Forget perfunctory acknowledgments and warm-ups. You'll save time and words. Here are some suggested approaches with an example of each.

*Announce your purpose.* "This memorandum outlines the procedure to be followed in establishing vacation schedules in your department."

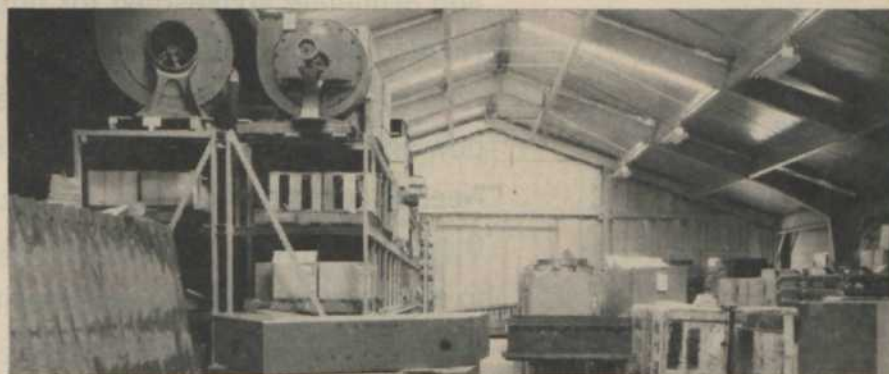
*State your conclusion.* The supporting facts can follow. "The temporary stoppage of production of the S-4 tuner last week was caused by failure of the new automatic assembly. These are the facts: . . ."

*Ask for what you want.* Give the details or the reasons later. "Will  
(continued on page 98)

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To help meet this need, the National Chamber has developed a plan for training and educating more able spokesmen for business. The plan is simple, and practical.

The National Chamber helps firms, colleges, local chambers and trade associations set up Economic Discussion Groups. Each group is composed of local business, professional and civic leaders.

They meet together once a week—usually for 17 weeks—to study the fundamentals of free enterprise, and to learn how to express themselves more effectively about business, both in conversation and before an audience.

The discussion-group plan for training business spokesmen appeals to businessmen. Nearly 700 Economic Discussion Groups have already been organized throughout the country—with a total enrollment of more than 16,000. Those who participate are enthusiastic about what they gain for themselves and for the welfare of modern society. The group shown here was sponsored by the North Side Chamber of Commerce, Pittsburgh, Pa.





To each group, the National Chamber makes available these four working tools:

**1. WORKBOOK**—A booklet showing how to organize an Economic Discussion Group, and how to plan a successful program.

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"We have had three Economic Discussion Groups, one on Company time, and the other two in the evenings. All were highly successful. Attendance was excellent. Those who participated were enthusiastic and hated to miss a single meeting. This program gave those who took part in it a better understanding of our economic system, and improved their ability to talk effectively about it and to explain it to others."

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## SPEED THOUGHT

*continued*

Simple, logical  
progression makes  
for easy reading

you please search your files for a copy of the Ajax agreement and send us a photostat when you find it?"

*Tell what you are doing.* Note in this example that the acknowledgment of the request is present but subordinated.

"We are sending you in a single package today the half-dozen sample rolls of the Ace Trans-Lux papers you requested on Oct. 18."

### Keep ideas moving

After you have started to write or dictate, your chief problem is to maintain a logical and connected progression to the end.

*Use topic sentences freely.* These are sentences that summarize as you go. Key words signal your method of development. For example:

"Your letter gives us a welcome opportunity to acquaint you with the facts about the Simpson deal." (The facts follow.)

"I can think of three good reasons why the offer should be accepted." (The reasons follow.)

"We began to think seriously about a data processing system late in 1954." (Chronology follows.)

"Claremont Industrial Park provides an excellent example of this new concept." (Description follows.)

*Use connecting words and phrases.* Keep in mind terms like these: this, such, same; however, nevertheless, therefore, accordingly, besides, furthermore, in addition, at the same time, in the meantime; not only . . . but also, on the one hand . . . on the other hand, originally . . . now; for example, considering these facts, notwithstanding that, in other words.

*Repeat an important word.* Or use a pronoun or a synonym. You can use this technique in combination with topic sentences and connecting words to speed ideas forward.

"Perhaps you have not seen the report on . . . This report . . ."

"The advantages are manifold. They include . . ."

"It is a bit early to evaluate the over-all results of this program. However, some immediate benefits can be observed."

*Put related ideas in series.* The

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most obvious way is to number your points 1, 2, 3, etc. (or first, second, third, etc.). But the same principle can also be effected, without numbering, by repetition of words or sentence structure.

For example:

*"Telephone people sell service in many ways. They sell it with the help of advertising. They sell it when customers visit our business offices. They sell it over the telephone. They sell it when they visit homes in order to install and maintain telephone instruments."*

*"Let us see what happened when these policies faced the test of a challenging market. How good were the concept and timing? How effective was the planning? How sound was the company's thinking? We believe you will be as gratified as we are with the results."*

#### Show your better side

Your language not only reflects your feelings; it also influences them. Force yourself to say the courteous and tactful thing, no matter what state of mind you are in, and you'll begin to feel better, too—with less drain on your energy and less time consumed in apologizing later. Follow these suggestions:

*Say please and thank you often.* They are the cheapest form of good will.

*Stay calm.* Look for signs of scolding in terms like absolutely, positively, impossible, must, and against. "It is absolutely impossible" is easily toned down to "we cannot." "You must realize" becomes "We are sure you can understand."

And "It is absolutely against our policy" can be restated as "According to our policy."

*Be neutral.* Avoid words that show suspicion or put the weight of opinion against the reader. These include "you claim," "we suspect," and "the alleged loss." Try instead, "you state," "we believe," and "the reported loss." "I am sorry that you were inconvenienced" is better than "I am sorry if you were inconvenienced." "We have not received" is more tactful than "You failed to send." "Your letter" arouses less feeling than "Your complaint."

Keep in mind that it is generally safer to express facts than to express judgments.

*Wait.* If you can't control negative feelings, put off writing until your mood changes. It will.

#### Write for sense

However you plan your communication or feel disposed toward your subject, you will not say what you

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## SPEED THOUGHT INTO WORDS *continued*

Your natural manner of expression  
will probably be clear to the reader

mean unless you consciously strive for clarity.

*Choose the one best word.* And be sure it's the word you mean. The writer who said, "We are putting up a third *unit* in Schenectady," should not have been surprised when his reader wrote to ask whether he meant a store, a factory, or a warehouse. The credit manager who wrote, "Please accept this information *with confidence*" (and meant in confidence), had no cause for complaint when the recipient of the information revealed his source. And the bank officer who wrote, "Our *advice* is that these shares represent a sound investment," had a hard time later explaining to the misled investor that *advice* meant "information," not "counsel."

*Put words in their logical order.* Not, "We supply standard forms to all our customers, specimens of which are enclosed," but "We supply all our customers with standard forms, specimens of which are enclosed." Not, "This account is worth thousands of dollars properly handled," but "Properly handled, this account is worth thousands of dollars." And note the difference in meaning between "As a holder of 10 shares, we forwarded to you . . ." and "We forwarded to you, as a holder of 10 shares . . ."

*Don't get lost among your pronouns.* "Mr. Jones agreed with Mr. Graham that *he* should go to South America." Who is *he*? "When Dale & Co. received the bid from their suppliers, *they* realized *they* had made a mistake." Can you discover which "they" means which?

*Beware the omitted or gratuitous word.* The New York bank that announced its merger by advising its customers to "Please use your present checks until exhausted" heard from a lady who wrote, "I've used one old check and I'm already completely exhausted."

Customers also found cause for merriment in the electrical manufacturer's announcement that "Our equipment performs much better than other inferior products."

### Capitalize on your natural skills of expression

If you have lived all or most of your life with English and have had

a normal schooling, you have a natural reservoir of language ability out of which you can meet all your needs of expression. You may, however, find this advice helpful:

*Be yourself.* Just because you've seen a lot of stilted English in business, don't get any wrong ideas about its propriety. The best business English is informal, natural, and pleasant. The man who writes, "It gave me a lot of pleasure to read about your promotion," or "Will you please return the Benton report I let

## Unfair tax

Present laws are penalizing your business, and are making you pay more taxes as the value of the dollar decreases. Read "Unfair Tax Checks Growth."

## Page 40

you have last week," or "I have certain observations on the Marlton deal that I want to pass on to you," finds it easy to express himself because he is concentrating on what he wants to say without any self-consciousness about language or form.

*Don't worry about your vocabulary.* You probably have all the words you need to express yourself satisfactorily. It's just a matter of searching your verbal store for the right word in a given instance. Let a good desk dictionary help you. If there is a choice of words, pick the simplest one.

*Don't be sensitive about your*



grammar. There are only a comparatively few atrocious errors (like *he don't*, *they brang*, and *most strongest*), and they are not the kind you are likely to make. Most so-called errors are the subject of considerable difference of opinion, even among experts. When you are genuinely in doubt about a usage (shall or will? who or whom? different than or different from?), don't stew about it. There are good books that will give you the answer quickly.

*Don't worry about sentence and paragraph length.* If your thoughts are clear and you are saying exactly what you mean, it doesn't matter too much if your sentences are long. (Believe it or not, this sentence is more than one and one half times as long as the average recommended by readability experts.)

For your own efficiency, try to put just one idea in a sentence, then go on to the next. It's like pausing for breath.

Paragraphing is just as easy if you keep in mind the organization of your material and provide paragraph breaks between the various subdivisions of it.

Generally, the beginning and end of your piece will lend themselves to shorter paragraphs than the middle. Long paragraphs can be broken at any convenient place.

*Don't worry about wordiness.* Everybody tends to overwrite a little. An extra word or detail is not likely to be noticed. Just make sure that you are not wandering from your objective.

If you need any further advice to bolster your confidence in your writing ability, perhaps you will keep in mind a story told about Tim Sullivan. A member of Congress from the lower East Side of New York, Mr. Sullivan was one day castigated by a fellow congressman who compared him sarcastically to Daniel Webster.

When the tirade was over, Mr. Sullivan rose with considerable dignity and said:

"I may not be Daniel Webster. I don't pretend to be. But I can represent my own district better than Daniel Webster could."

You may not be Daniel Webster either. But the chances are that nobody can represent better than you what you want to say.

—J. HAROLD JANIS  
New York University

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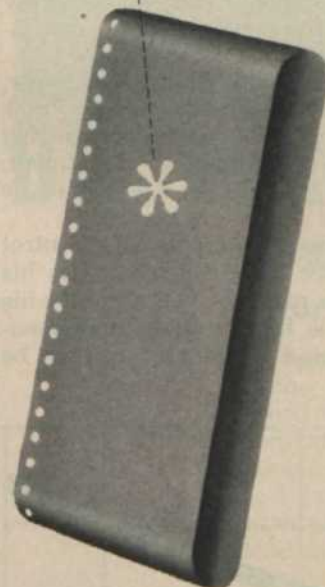
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# MAKE YOUR PLANS SUCCEED

These 10 guides will help  
sharpen business controls

THE MANAGER who would use his time well, delegate authority safely, and pave the way for profitable company growth, must devise efficient devices of control.

He will have to develop most of these controls himself because there is no ready-made system of control techniques suitable to managers at all levels and in all kinds of businesses. Company controllers, statisticians, mathematicians, and other experts, of course, can suggest certain measures of performance.

Experience of other companies and managers can sometimes provide guidelines for control and can

help a manager in inventing his own system.

Occasionally, a control technique used by someone else can be bodily borrowed and used without modification.

This has been done, for example, by many companies which now weigh profitability by measuring the rate of return on investment, a device used by E. I. du Pont de Nemours and Co. since 1919.

Whether he adapts the control techniques of others or devises his own, the manager will simplify his task if he keeps certain fundamentals in mind. Although they must be

tailor-made for any given job and company, all controls involve:

1. Establishment of standards which will show the manager whether plans are being accomplished and goals attained.

2. Evaluation of performance of subordinates against these standards.

3. Taking of steps to correct deviations from standards.

This basic process of control is easily seen in quality control. The inspector has certain standards of thickness, width, length, hardness, or performance against which he measures a product. If rejected production becomes more than a reasonable amount (determined usually by balancing the costs of rejects against the costs of avoiding rejects), action will be taken to avoid deficiencies.

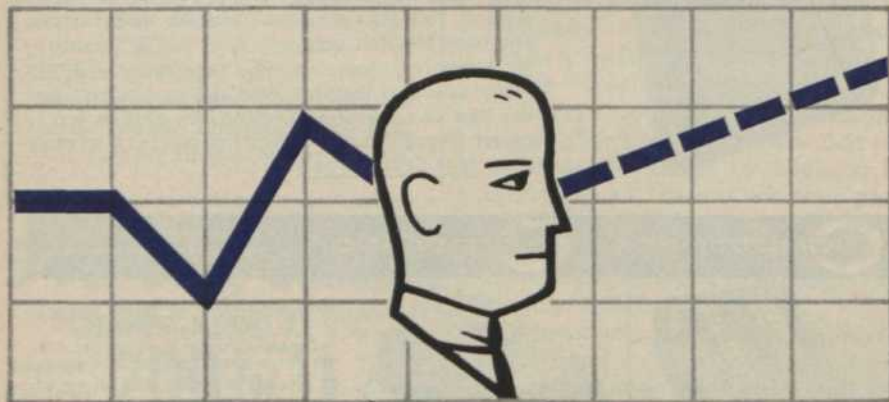
The same process is involved in every other kind of control. Whether the problem area is cash, inventory, accounts receivable, costs, product line, prices, or even the loyalty of the office force, the manager must have standards. He must evaluate performance against these standards. If he wishes to be more than an analyst, he must act to correct deviations.

Practices for setting standards and measuring deviation from them normally differ among managers. Still, certain requirements should be met if the controls a manager uses are to be effective. The following 10 guides cannot help but sharpen control techniques and, by doing so, improve the quality of management.

1. *Controls must be grounded on plans and clear organization.*

Control implies the existence of goals and plans. A manager cannot tell whether his subordinates are doing what he expects them to do unless he first knows what he expects of them. No matter how vague the plan or goal may be or for how brief a period it is effective, some future course of action must be in mind. Naturally, the more clear, complete, and coordinated plans are, and the longer the period for which they are made, the better control can be.

The purpose of control is to make events conform to plans, but the manager can only do this through people. It is they who spend money, schedule production, hire and train subordinates, sell, or develop products. This means, then, that to know who is responsible for undertaking a given task, following a policy, or making a plan, organization must be clear. If a subordinate does not



Secret of good control is to see problems coming in time to do something. Better a forecast with a margin of error than a precise report on the past



have the authority to do a given job, or does not know that he has the authority, management control cannot help but fail.

*2. Controls should be forward-looking.*

Managerial control has tended to depend on historical accounting and statistical data instead of forecasts and projections.

In the absence of any means to look forward, reference to history in the form of accounting and statistical reports is better than not looking at all. It is possible that what happened last month or last week will continue to happen next month or next week. But this is a dangerous assumption, and, since most historical control reports are late, no manager should be satisfied to control by studying history. There is doubt, for example, that a manager can say that he has done a job of control if he finds out in July that he went broke in May for something he did in March.

More attention should be given to developing forecasts and projections. The alert manager would prefer a forecast of what will happen next week even though this projection has a margin of error in it, to a report, accurate to several decimal points, of the past about which he can do nothing. The secret of good control is to see problems coming far enough in advance to be able to do something about them.

What a manager would probably like best is a system of controls that would operate with instantaneous feedback so that deviations might be corrected before they become important. While this kind of control is available only in limited areas, it is possible that future research and the development of electronic data processing might make these kinds of controls available to the manager.

*3. Controls must reflect organization pattern.*

Because controls shape events through people, the technique used and the information employed must be focused on the subordinate whose performance is to be measured. It does a manager no good to know that his costs are too high unless he knows who is responsible for the high costs. Likewise he merely faces a frustrating problem if he knows that product development or production is behind schedule, unless he knows the position which is causing the delay.

These and other considerations have led to the development of more pointed cost accounting with such

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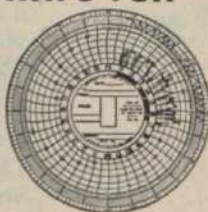


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## PLANS

continued

**Aids for control  
must be in a form  
readily usable**

things as detailed cost accumulations centered down as far as possible in the organization. They have also led to planning schedules which show exactly where delays occur and who and what are responsible.

By the same token, information which is not suitable to a manager and his position merely thwarts control. In a recent instance, a plant superintendent understandably threw up his hands in despair when he was called on the carpet for going over his budget. It turned out that, through careful analysis and control, he had reduced his labor force considerably one month but, because of company (not his) policy, accumulated vacation, sick leave and severance pay were charged to his department when he cut his labor force.

#### 4. Controls must be readily understandable.

What a manager cannot or will not understand cannot be useful to him for control. Some managers like reports, others tables, some charts. Still others like mathematical formulae. What might delight the figure-minded controller might confuse the plant manager. What might have meaning to the chief engineer might make no sense to the sales manager.

In their preoccupation with developing their information efficiently, many companies set up specialists and concentrate all information-gathering in one spot. In addition, there is a strong inclination to standardize reports. Through such specialization and standardization they may be saving money at the cost of management effectiveness. Moreover, one of the problems of many experts in graphs, charts, advanced statistical methods, and exhaustive analyses is that they fail to see why these data are being prepared.

On the other hand, perhaps even oftener, the managers who need control information fail to tell the experts what data they need.

#### 5. Controls should be limited to strategic points.

Standards are authoritative criteria by which performance can be



measured. However, in most cases, the manager cannot take the time to check performance against every part of a plan or every manifestation of a policy or goal. In the interest of efficiency, then, the manager should choose certain key points for special attention. If, at these points, he can develop standards of measurement, he can be like the inspector who does not compare every detail of a part against original blueprints but rather selects certain critical, or strategic, points for comparison.

Thus, a railroad operations manager might take the on-time operation of trains as an indication that most things in his department are running as planned. A company president might use the rate of return on investment as a strategic factor for measuring the profit-making ability of a division manager. A plant superintendent might select labor hours per unit, per cent of rejections to total production, labor turnover, production against schedule, and similar factors to indicate how his foremen are doing.

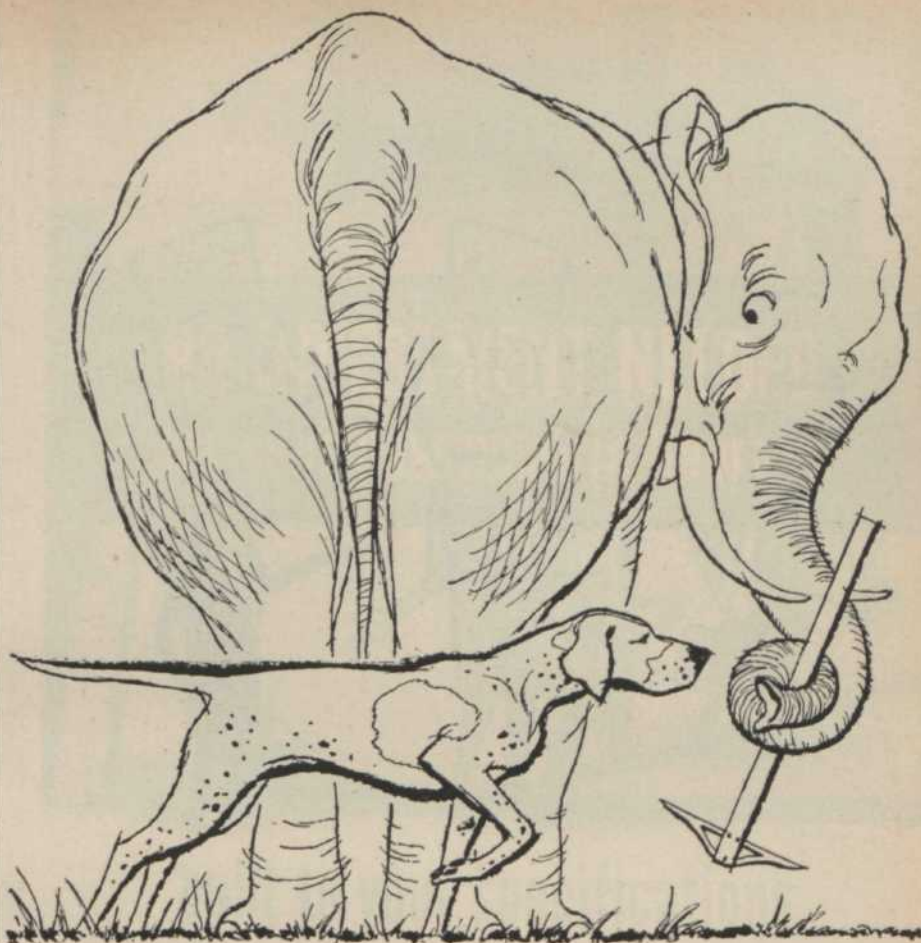
If a manager selects as few such strategic points as possible, he can spend less time at control activities. His managerial efficiency can be greatly improved. There are, however, no easy guidelines which the practicing manager can apply to determine the strategic points he should watch. The selection of these is largely a matter of the managerial art applied by each person in each situation. Perhaps he can best reach his own solution by asking what things in his own operations will show him best whether the plans for which he is responsible are being accomplished.

#### 6. Controls must be objective.

Because management is getting things done through people, it necessarily has many subjective elements in it. But whether a subordinate is contributing effectively to company goals is not a human relations matter, even though the solution may require the manager to utilize human relations techniques.

But a manager must first know what is happening and what will happen. A subordinate's personality may influence a manager to make subjective judgments of performance not in accord with the facts. People have difficulty explaining away objective measurements of their performance, particularly if the standards used are accurate and up-to-date through periodic review designed to assure their accuracy.

In addition, subordinates tend to react more sympathetically to ob-



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## **PLANS**

*continued*

### **Flexibility in controls must be maintained**

jective standards if the standards are reasonable and accurate. It is frustrating for a subordinate to be told in general and indefinite terms that he is not doing a good job; even worse yet, not to know at all whether he is accomplishing what is expected of him.

#### **7. Controls should point up exceptions.**

Whatever control technique a manager employs, it should only flag exceptionally good or exceptionally bad performance. To do otherwise is to waste effort.

However, watching for exceptions and designing controls which will point them up is not too helpful if the manager does not know what things to watch and what constitutes good performance. In other words, the selection of strategic control points and the development of objective measurements of performance are necessary for control.

#### **8. Controls should be flexible.**

Controls should remain workable despite unforeseen changes in circumstances or plans. If sales do not turn out as forecast, if a supplier's plant is shut down because of a strike, or an order is suddenly cancelled, control should not be lost.

The problems of flexibility are not easily solved. There is ever the danger that a manager may go blithely along thinking that he has proper control only to find that the situation, for which he had planned, has changed. One of the reasons why many top managers, particularly in smaller companies, hesitate to rely on a system of budgets is the fear that, should actual sales fall below the forecast, they might lose control by continuing to allow department heads to spend at a level not justified by sales volume. Many managers who have embarked on a new product program, thinking that the development would take a certain amount of money and time, have tended to lose control over costs and profits when unforeseen difficulties caused delay.

Maintaining control flexibility appears to depend on two factors.



First, plans which are flexible, in the sense of having built into them the ability to change direction, can be reflected in flexible controls.

Second, both plans and controls can be reviewed to make sure they still reflect goals and performance.

9. *Controls should be economical.*

Any control device should be worth its cost. This obvious truth is not easy to implement. If a system of cash controls keeps a firm from going broke, the value is considerable. If a system of controlling purchases keeps inventories within limits, prices reasonable, and dealings honest, the value to the firm is so great as to be difficult to measure.

Economy in undertaking a system of control is a relative matter, since the benefits vary with the importance of the problem, the size of the business, the contribution a control can make to efficiency and the expense that might be incurred in the absence of control.

Certainly a small company could not afford the elaborate charts, reports, and other statistical data which a large firm might consider as minimum for control. Nor could a company afford to spend as much for control devices for a foreman as for the president. Although economy in controls is relative, no manager should overlook it. Review of control techniques in almost any company will likely disclose instances where the cost of control is greater than the cost of a mistake. Also, review would probably indicate areas where interest in economy, or sheer oversight, has led to too little expenditure for the development of controls.

A smaller company may not be able to afford the controls it requires to assure attainment of its plans and goals. But a smaller company may be so compact and lines of communications so close that it may need less control. And in small companies, as well as in large ones, sharper attention to strategic factors can lead to surprising economy in control.

10. *Controls must lead to action.*

Control can only be justified if action is taken. This can be done in several ways. A control report may ask for an explanation of steps being taken to correct deficiencies. It might require the responsible subordinate to detail his plans for getting back on course. It may have designed into it means for encouraging the subordinate to seek further advice as to his future moves, since failures to accomplish plans often



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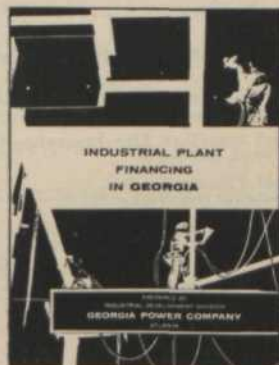
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## PLANS

continued

### Good subordinates can make control most effective

arise from a lack of understanding of goals, policies, or detailed plans.

All this can be done and normally will be done by an alert manager if his control technique not only detects failures, but also discloses who is responsible for them. With this information, all he needs to do is to find out what is and will be done to correct the indicated deficiencies.

In seeking for effective control techniques, it should not be overlooked that the best control is to assure the quality of subordinates. The ablest, best trained and selected people tend to make the fewest mistakes.

This is especially true when people understand company plans and when the company's managers have given them an organizational environment in which they can do their best.

Experienced managers have found that most people want to do a good job—provided they know what is expected of them and if they have the proper authority and tools. To be sure, no manager can overlook such motivating factors as pay, power, and status in stimulating people to group effort.

But without good planning and organization no members of a company or group can be expected to give their best performance.

Therefore, back of the assurance of high quality employees in a high quality environment is the necessity of assuring the quality of managers throughout a business enterprise. In a sense, all other managerial controls are indirect. This would seem to point toward the importance of developing able managers, of planting an awareness of the significance and nature of the managerial job, and of attempting to design more scientific approaches to management.

—HAROLD KOONTZ,  
University of California at  
Los Angeles

**REPRINTS** of "Make Your Plans Succeed" may be obtained for 10 cents a copy or \$6.75 per 100 post-paid, from Nation's Business, 1615 H Street N.W., Washington 6, D. C. Please enclose remittance with order.



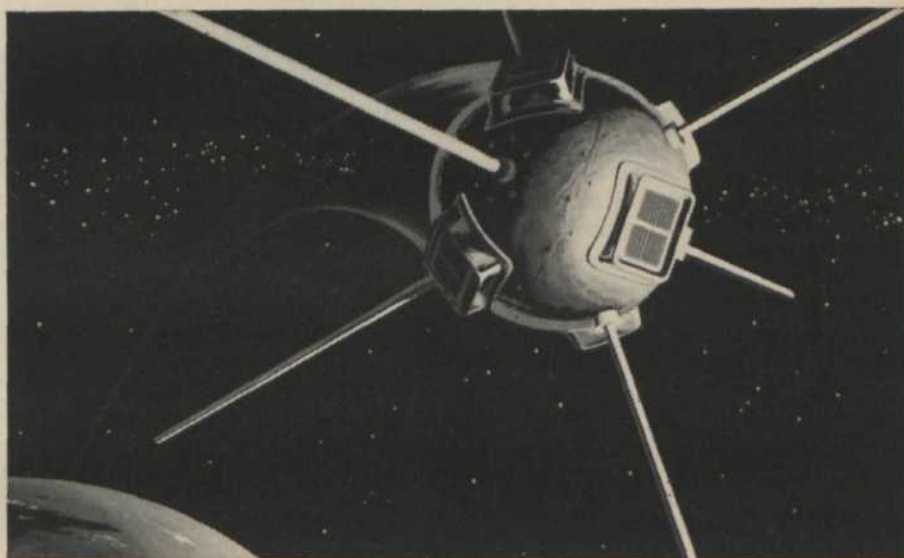
# How the Bell System's Transistor Has Created Business and Jobs in Many Industries

It has been just a little over ten years since the Bell Telephone Laboratories announced the invention of the Transistor.

This amazing little electronic amplifier was recognized immediately as one of the big breakthroughs in science that come only at rare intervals. Every year since its birth it has opened new fields of use and progress.

Developed originally for telephony, where its first use was in Direct Distance Dialing, the Transistor has enabled many other industries to bring out entirely new products and improve others. It has also made it possible for a number of new businesses to get started and to grow.

There is no doubt that the Transistor has been one of the leading forces in an electronics boom and is in considerable part responsible for raising the electronics industry from a two billion dollar level in 1946 to over thirteen billion dollars in 1958.



**NEWS FROM OUTER SPACE.** One of the many uses for the Transistor is in the radio transmitters in satellites. Some other uses of this mighty mite of electronics, in addition to its growing use in telephony, are in hearing aids, personal radios, automobile radios, portable TV sets, phonographs, clocks, watches, toys, computers, data processing, machine tooling controls and even a guidance system for a chicken-feeding cart. A most important use is in a wide range of military equipment, including radar and guidance systems for missiles. Though little larger than a pea, the Transistor can amplify electric signals up to 100,000 times.

The Bell System has licensed more than seventy companies to make and sell transistors. More than 50,000,000 will be made this year.

The Transistor is just one example of how the basic research of the Bell Telephone Laboratories contributes to the economy and progress of the country. Frequently this constant search for new knowledge to improve communications brings forth

discoveries of great value to other industries and the whole field of technology.

For telephone users, the Transistor has made possible advances that would have been impossible a brief decade ago.

In the years to come it will bring many new ways to make telephone service more convenient and useful to more and more people.

**BELL TELEPHONE SYSTEM**





# INFLATION IS A MORAL PROBLEM

---

THE COUNTRY'S gravest threat cannot be countered by airlifts, expeditionary forces to bolster tottering friendly governments or even by mastery of space.

This peril is as close as the nearest shopping center, as grim as slow starvation.

Its name is inflation.

Unless we conquer this, success in all our world adventures will delay our fate only a little.

So far our prospects are not bright.

The custom is to regard inflation as a financial or economic phenomenon with which only government can deal, and the new midyear budget review gives a disheartening picture of governmental aptitude in such matters. Government spent \$5.3 billion more than it estimated last January it would spend. It took in \$7.4 billion less than it optimistically planned. The \$12.2-billion deficit now in prospect increases inflation dangers. It also suggests that government has lost control of the budget. Left to its own devices, government seems more likely to feed inflation than otherwise.

Fortunately government is not our last resort.

The American people still control the government.

They can also, if they wish, control inflation.

To do this they need no esoteric knowledge either of economics or finance.

Sen. Wallace F. Bennett of Utah, a member of the Senate Finance Committee, has said:

"To me, the most serious aspect of inflation is the moral one. Inflation is essentially a process by which someone attempts to get something for nothing, a disguised form of theft, in

which the poor and helpless are the first victims but which can eventually engulf a whole economy. It is a narcotic which produces the illusion of prosperity and growth and conceals the real damage."

Senator Bennett not only clarifies the nature of inflation, he points the way to its cure. This cure can come ponderously and inefficiently through government action to control wages and prices. This can stifle as well as curb.

Or it can come naturally and effectively through public acceptance of responsibility.

Unions can stop what Marriner Eccles has called "the main cause of rising prices"—"the use which labor union monopolies are making of their power to force up wages and numerous costly fringe benefits far in excess of increased productivity."

Members of economic groups and communities can halt their demands for government spending for non-essentials or for subsidies which, in the present state of government finances, must add to the deficit.

All of us can realize that easy money for us is hard money for somebody else.

When we do this; "when," as Senator Bennett says, "the American people can courageously face up to the fact that there is no such thing as something for nothing; that there is no real security without risk; that money cannot be manipulated to produce wealth; that there is no substitute for human endeavor and individual wisdom and responsibility; then, and only then, can we bring America back to economic reality, which in turn will put our feet on the path to sound growth and true prosperity."





## The day I flipped!

*"It was a frantic Friday—noisy, boss on fire, both phones ringing. At 4:50 he hands me the new price lists; says, sorry, doll, they gotta go out tonight. Well, halfway through the licking and sticking, something snaps. I'd asked ten times for a postage meter—so now I'm drafting an ad: SITUATION WANTED—IN OFFICE HAVING POSTAGE METER."*

Today, no one has to put up with slow, sloppy, tedious lick-and-stick mailing. The little DM (desk model) meter *prints* postage of any value directly on the envelope with a dated postmark—and your own small ad, if you like. Saves time, money, postage—and temper!

Now, even the smallest office can afford a meter—one DM user in three spends less than \$1 a day for postage. Electric models for larger mailers. Call the nearest PB office for a demonstration. Or send coupon for a free illustrated booklet.

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- Letters now cost you 33 $\frac{1}{3}$  per cent more—so postage control is more important than ever.
- A meter protects postage from loss, misuse; does its own accounting.
- Postage is "dialed" for any class of mail—even parcels. And meters moisten envelope flaps for sealing!
- A postage meter requires no minimum mail volume. And anyone can easily use one—even the boss.

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